TAB 193

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF

UNSECURED CREDITORS OF

ALLEGHENY HEALTH, EDUCATION

& RESEARCH FOUNDATION,

Plaintiff,

vs.

Civil Action

PRICEWATERHOUSECOOPERS,

No. 00-684

LLP,

Defendant.

Videotaped Deposition of AMY

FRAZIER, called for examination under the

Applicable Rules of Federal Civil Procedure,

taken before me, Michele E. Eddy, a Registered

Professional Reporter and Notary Public in and

for the State of Ohio, pursuant to notice and

stipulations of counsel, at the offices of

Jones Day, 222 East 41st Street, Suite 400, New

York, New York, on Tuesday, the 8th day of

June, 2004, at 9:00 a.m.

_ _ RENNILLO REPORTING SERVICES

2500 Erieview Tower, 1301 East Ninth Street, Cleveland, Ohio, 44114 tel 216.523 1313 fax 216.263.7070 One Cascade Plaza, Suite 1950, Akron, Ohio, 44308 tel 330 374 1313 fax 330 374.9689 1.888.391.3376 (DEPO)

ally I talled	
Page 145	Page 147 O. Hold on for a second and humor me
l or make your deposition longer, but I think the	
2 answer to my question is you don't recall	
3 having a SUD with you and asking anyone at	3 moment 4 I've seen lots of documents that
4 AHERF or being in a conversation where someone	f: 1: 4. 2.4:60
5 at C&L asked someone at AHERF to make a change 14:05:08	
6 to their financial statements based on the SUD,	
7 is that right?	
8 A I do recall of one situation which	
9 was a report that was actually never issued in	14.07.43
10 which there I had I don't know if it was 14:05:47	and the gram matches 1370 one
11 actually the SUD document, but it was a summary	
12 of adjustments that clearly indicated something	
13 had to be resolved before we could issue the	the state of the s
14 financial statements	14 ask someone at AHERF to make any change on the 15 SUD? 14:07:56
15 Q. Let me come back to that. 14:05:59	16 A. Yes.
16 Is the answer to my question – my	
17 earlier question, though, that you don't recall	17 MR RYAN: Objection 18 Q. So there was an exhibit that looked
18 having a SUD with you or being in a meeting	1
19 where a SUD was being discussed in which	19 just like 1339 in the room, a document? 20 MR RYAN: Objection 14:08:03
20 someone from C&L asked someone at AHERF to make 14:06:10	21 A. Your original question stated a
21 a change?	22 look-alike, and to me, you know, my
22 MR RYAN: Objection	23 understanding of a look-alike was this summary
23 A. I mean, I think I'm actually	24 which included adjustments that were being
24 saying I have a situation that I recall 1	25 proposed as part of the audit process in 14:08:15
25 don't it didn't necessarily have to have the 14:06:20	25 proposed to part to the
D - 146	Page 148
Page 146	1 relation to whether or not we can issue the
1 title SUD across the top. It represented an	2 financial statements. It was the adjustments
 accumulative list of adjustments in which we said you need to make an adjustment before we 	3 that we as an engagement team had come together
	4 and said these are the ones that we need to
4 can issue the report. 5 Q. I understand that I'm happy to 14:06:32	5 resolve and aggregate and evaluate as part of 14:08:29
I mamice I'm going	6 issuing the financial statements.
	7 Q But that's the only time you can
7 to do it next. 8 But I would like to have an answer	8 think of an example for this question as an
to the de you rough being	9 answer to this question, is that right?
1	10 A. That I currently recall, yes. 14:08:38
I us a standard CITO energifically for	11 Q. Thank you.
and the state of t	12 When did that occur?
the state of AUEDE please	13 A. 1998.
- Calena obanges?	14 Q. I had a premonition. Tell me, what
14.06.55	15 was the issue or the set of adjustments that 14:08:49
1) A. 163	16 you were discussing with someone at AHERF?
a security of a CITO is an	17 A. It related to Rancocas Hospital and
e it is af outside that need to	18 the accounting for good will and
t ti multipling the overall	19 intercompanies. There was a series of items
1 a the same And whether that's on an 14:07:0	14:09:09
20 financial statements. And whether that's on an	21 to be resolved.
lear manufacture that actually had the schedule	• • • • • • • • • • • • • • • • • • •
21 Excel schedule that actually had the schedule	22 Q. It was during the final or
22 of summary of unadjusted differences was really	
22 of summary of unadjusted differences was really 23 irrelevant. It was the total being used to	 Q. It was during the final or preliminary audit work for fiscal year 1998? MR. RYAN: Objection
22 of summary of unadjusted differences was really	Q. It was during the final or preliminary audit work for fiscal year 1998?

37 (Pages 145 to 148)

19	1	Page 151
	1	intercompany accounts?
	2	A. The discussion was around how we
	3	would in an effort to finalize the report
	4	which had reporting deadlines, we had some
	5	accounting discussion about possible approaches 14:12:06
	6	that Mr. Cancelmi would recommend to address
	7	the issue, but I simply communicated my
	8	discussion that I had with Mr. Buettner
	9	beforehand, which was until it's resolved, you
	10	will not get your report. 14:12:22
	11	Q. Do you recall anything more about
	12	the underlying accounting issues as we sit here
	13	today?
1	14	A. It related to whether or not the
8(15	good will was realizable in the future, whether 14:12:33
	16	or not it should be written down, and whether
	17	or not the impact of a 50 million dollar
	18	transfer of reserves in 1997 and that that
	19	adjustment should be reversed and undone based
	20	on a stand-alone report for the Rancocas 14:12:57
	21	entity.
	22	Q. Some portion of the 50 million
	23	dollars or all of it?
	24	A. A portion of it
	25	Q. Is this the 50 million dollar set 14:13:08

	Page 15	i(
1	MR. JONES: Thank you. I'm not	
2	sure it was critical.	
3	Q. But my question is still, can you	
4	think of another example where you were	
5	discussing a SUD, a piece of paper that was the 14:10:41	
6	final SUD, as you understood it, and were	
7	asking someone at AHERF to make changes in the	
8	financial statements other than this Rancocas	
9	fiscal year 1998 example?	
10	MR. RYAN: Objection. 14:10:57	
11	Q. Was it a fiscal year 1998 example	
12	or fiscal year 1997 example at Rancocas?	
13	A. It was the fiscal year 1997, which	
14	was the calendar year 1997 for that entity.	
15	Q. Other than that example, can you 14:11:10	
16	think of another one?	
17	A. Not that I recall as I sit here	
18	today.	
19	Q. Who was involved in that meeting?	
20	A. Myself and Dan Cancelmi 14:11:35	
21	Q. Anyone else?	
22	A., No.	
23	Q. Do you recall anything more about	
24	the conversation other than it involved	

			Page 152
I	of rese	rve established in connection with the	ne
2	purcha	se of the Graduate hospitals by AHI	ERF and
.3	later tra	ansferred to certain hospitals in wha	t
4	was the	en known as the Delaware Valley O	bligated
5	Group	at AHERF? 14	:13:25
6	A.	Yes.	
7	Q.	Do you recall anything more abou	t
8	the con	versation with Mr. Cancelmi?	
9	Α.	He had proposed a method of	
10	accoun	ting for it would be to write it off to	14:13:44
11	net ass	et - net assets. And I told him that	
12	that wa	is not my understanding of how you	could
13	accoun	t for it and I would discuss it further	
14	with Bi	ill, but that that would not be, in my	
15	judgme	ent, an appropriate resolution	14:14:01
16	Q.	Did you have an appropriate	
17	resolut	ion at the time that you shared with	
18	him?		
19	A.	Yes.	
20	Q.	What was it? 14:14	4:07
21	A	Reverse the 50 million dollar	
22	entry.		
23	Q.	With respect to Rancocas, it	
24	wouldn	't have been 50 million dollars, am l	[

25

right?

14:11:44

25 accounting for good will and certain

14:14:16

	Page 153		Page 155
1	A. My point was to reverse it on all	1	Q. I'm going to ask you to look down
2	of the entities.	2	the first page and notice as you do at certain
3	Q. Were you discussing all of the	3	of the various hospitals, there is a row
4	other entities at the time, or was this	4	relating to PP&E reserve and amounts in the
5	conversation strictly related to Rancocas, the 14:14:31	5	column headed June 30, 1995 that tie to several 14:17:01
6	one that you're recalling now?	6	of the amounts on the AHERF PP&E score sheet
7	A. As I recall, it was strictly	7	marked as Exhibit 4380. When you've had a
8	related to Rancocas and their desire to issue	8	chance to do that, would you tell me?
9	that report.	9	In particular I'll direct your
10	Q. You thought this took place in the 14:14:43	10	attention to the S the St. Chris's category 14:17:30
11	spring of '98, calendar year?	11	of accounts and the PP&E reserve row there,
12	A. Spring being very late spring	12	which is an amount of 1 133 million. Do you
13	because I was on maternity leave again	13	see that?
14	Q. When were you on maternity leave in	14	A. Yes.
15	198? 14:14:59	15	Q. That appears also on Exhibit 4380, 14:17:40
16	A. March. My son was born March 1st	16	is that right, next to St. Chris?
17	of 1998, so basically six to eight weeks	17	A It appears on a rounded basis, yes.
18	following that.	18	Q Then again if you look later down
19	Q So you're telling me it was	19	towards the bottom of the page to the Bucks
20	after 14:15:12	20	County amount for PP&E reserve, do you see 14:17:5:
21	A. After	21	that?
22	Q you returned from maternity	22	A. Yes
23	leave	23	Q. That's 6-30-95, on Exhibit 1689,
24	A. Correct.	24	the AHERF analysis of reserves, the amount is
25	Q. — that this conversation took 14:15:16	25	
ري	C	45	1.493 million, and that ties — is that right? 14:18:06
		23	1.495 million, and that ties is that right? 14:10:00
	Page 154		Page 15
1	Page 154 place?	***	Page 15 A It appears as rounding
1 2	Page 154 place? A. Yes.	1 2	Page 15 A. It appears as rounding Q. It ties rounded, at least close
1 2 3	Page 154 place? A. Yes. Q. Let me ask you to turn to another	1 2 3	Page 15 A. It appears as rounding Q. It ties rounded, at least close numbers, to the same amount on the schedule
1 2 3 4	Page 154 place? A. Yes. Q. Let me ask you to turn to another exhibit. This one is going to be previously	1 2 3 4	Page 15 A. It appears as rounding Q. It ties rounded, at least close numbers, to the same amount on the schedule previously marked as 4380, the score sheet, is
1 2 3 4 5	Page 154 place? A. Yes. Q. Let me ask you to turn to another exhibit. This one is going to be previously marked as Exhibit 1689. I'm going to ask you 14:15:36	1 2 3 4 5	Page 15 A. It appears as rounding Q. It ties rounded, at least close numbers, to the same amount on the schedule previously marked as 4380, the score sheet, is that right? 14:18:27
1 2 3 4 5 6	place? A. Yes. Q. Let me ask you to turn to another exhibit. This one is going to be previously marked as Exhibit 1689. I'm going to ask you to look at for me at the two-page document and	1 2 3 4 5	Page 156 A. It appears as rounding Q. It ties rounded, at least close numbers, to the same amount on the schedule previously marked as 4380, the score sheet, is that right? 14:18:27 A. Yes
1 2 3 4 5 6 7	Page 154 place? A. Yes. Q. Let me ask you to turn to another exhibit. This one is going to be previously marked as Exhibit 1689. I'm going to ask you to look at for me at the two-page document and tell me if you've ever seen it before today.	1 2 3 4 5 6 7	Page 15 A It appears as rounding Q It ties rounded, at least close numbers, to the same amount on the schedule previously marked as 4380, the score sheet, is that right? A Yes Q Do you know whether anyone at
1 2 3 4 5 6 7 8	Page 154 place? A. Yes. Q. Let me ask you to turn to another exhibit. This one is going to be previously marked as Exhibit 1689. I'm going to ask you to look at for me at the two-page document and tell me if you've ever seen it before today. A. Yes.	1 2 3 4 5 6 7 8	Page 15 A It appears as rounding Q It ties rounded, at least close numbers, to the same amount on the schedule previously marked as 4380, the score sheet, is that right? 14:18:27 A Yes Q Do you know whether anyone at Coopers & Lybrand had this analysis of
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1 2 3 4 5 6 7 8 9	place? A. Yes. Q. Let me ask you to turn to another exhibit. This one is going to be previously marked as Exhibit 1689. I'm going to ask you 14:15:36 to look at for me at the two-page document and tell me if you've ever seen it before today. A. Yes. Q. When was the first time that you saw this document? 14:15:58	1 2 3 4 5 6 7 8 9 10	Page 15 A. It appears as rounding Q. It ties rounded, at least close numbers, to the same amount on the schedule previously marked as 4380, the score sheet, is that right? A. Yes Q. Do you know whether anyone at Coopers & Lybrand had this analysis of reserves, that is Exhibit 1689, in his or her hand when the AHERF PP&E score sheet marked as 14:18:45
1 2 3 4 5 6 7 8 9 10	place? A. Yes. Q. Let me ask you to turn to another exhibit. This one is going to be previously marked as Exhibit 1689. I'm going to ask you to look at for me at the two-page document and tell me if you've ever seen it before today. A. Yes. Q. When was the first time that you saw this document? A. Last week.	1 2 3 4 5 6 7 8 9 10 11	Page 15 A It appears as rounding Q. It ties rounded, at least close numbers, to the same amount on the schedule previously marked as 4380, the score sheet, is that right? A Yes Q Do you know whether anyone at Coopers & Lybrand had this analysis of reserves, that is Exhibit 1689, in his or her hand when the AHERF PP&E score sheet marked as 4380 was prepared?
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1 2 3 4 5 6 7 8 9 10 11 12 13	place? A. Yes. Q. Let me ask you to turn to another exhibit. This one is going to be previously marked as Exhibit 1689. I'm going to ask you 14:15:36 to look at for me at the two-page document and tell me if you've ever seen it before today. A. Yes. Q. When was the first time that you saw this document? A. Last week. Q. You never saw it in connection with your audit work at AHERF, is that right?	1 2 3 4 5 6 7 8 9 10 11 12 13	Page 15 A It appears as rounding Q. It ties rounded, at least close numbers, to the same amount on the schedule previously marked as 4380, the score sheet, is that right? A Yes Q Do you know whether anyone at Coopers & Lybrand had this analysis of reserves, that is Exhibit 1689, in his or her hand when the AHERF PP&E score sheet marked as 4380 was prepared? A No, I don't know. Q. Did you ever learn that Coopers &
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1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	place? A. Yes. Q. Let me ask you to turn to another exhibit. This one is going to be previously marked as Exhibit 1689. I'm going to ask you 14:15:36 to look at for me at the two-page document and tell me if you've ever seen it before today. A. Yes. Q. When was the first time that you saw this document? 14:15:58 A. Last week. Q. You never saw it in connection with your audit work at AHERF, is that right? A. No. Q. I think we have a double negative 14:16:14 and it's all my fault. So let me try it again. Did you ever see it at any time during your audit work at AHERF? A. No.	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	Page 15 A It appears as rounding Q It ties rounded, at least close numbers, to the same amount on the schedule previously marked as 4380, the score sheet, is that right? A Yes Q Do you know whether anyone at Coopers & Lybrand had this analysis of reserves, that is Exhibit 1689, in his or her hand when the AHERF PP&E score sheet marked as 4380 was prepared? A No, I don't know. Q Did you ever learn that Coopers & Lybrand auditors had been given reserve analyses or what was sometimes I think referred 14:19:04 to as cushion analyses that looked like Exhibit 1689 during their audit work in connection with AHERF? A I'm sorry, can you repeat that?
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	Page 154 place? A. Yes. Q. Let me ask you to turn to another exhibit. This one is going to be previously marked as Exhibit 1689. I'm going to ask you 14:15:36 to look at for me at the two-page document and tell me if you've ever seen it before today. A. Yes. Q. When was the first time that you saw this document? 14:15:58 A. Last week. Q. You never saw it in connection with your audit work at AHERF, is that right? A. No. Q. I think we have a double negative 14:16:14 and it's all my fault. So let me try it again. Did you ever see it at any time during your audit work at AHERF? A. No. Q. Did you ever see a document 14:16:23	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Page 15 A. It appears as rounding Q. It ties rounded, at least close numbers, to the same amount on the schedule previously marked as 4380, the score sheet, is that right? A. Yes Q. Do you know whether anyone at Coopers & Lybrand had this analysis of reserves, that is Exhibit 1689, in his or her hand when the AHERF PP&E score sheet marked as 4380 was prepared? A. No, I don't know. Q. Did you ever learn that Coopers & Lybrand auditors had been given reserve analyses or what was sometimes I think referred 14:19:04 to as cushion analyses that looked like Exhibit 1689 during their audit work in connection with AHERF? A. I'm sorry, can you repeat that? Q. Did you ever learn that anybody 14:19:17
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Page 154 place? A. Yes. Q. Let me ask you to turn to another exhibit. This one is going to be previously marked as Exhibit 1689. I'm going to ask you 14:15:36 to look at for me at the two-page document and tell me if you've ever seen it before today. A. Yes. Q. When was the first time that you saw this document? 14:15:58 A. Last week. Q. You never saw it in connection with your audit work at AHERF, is that right? A. No. Q. I think we have a double negative 14:16:14 and it's all my fault. So let me try it again. Did you ever see it at any time during your audit work at AHERF? A. No. Q. Did you ever see a document 14:16:23 similarly headed, that is, AHERF analysis of	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Page 15 A It appears as rounding Q. It ties rounded, at least close numbers, to the same amount on the schedule previously marked as 4380, the score sheet, is that right? A Yes Q Do you know whether anyone at Coopers & Lybrand had this analysis of reserves, that is Exhibit 1689, in his or her hand when the AHERF PP&E score sheet marked as 14:18:43 4380 was prepared? A No, I don't know. Q. Did you ever learn that Coopers & Lybrand auditors had been given reserve analyses or what was sometimes I think referred 14:19:04 to as cushion analyses that looked like Exhibit 1689 during their audit work in connection with AHERF? A. I'm sorry, can you repeat that? Q Did you ever learn that anybody 14:19:17 else on the C&L — on any C&L engagement team
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Page 154 place? A. Yes. Q. Let me ask you to turn to another exhibit. This one is going to be previously marked as Exhibit 1689. I'm going to ask you 14:15:36 to look at for me at the two-page document and tell me if you've ever seen it before today. A. Yes. Q. When was the first time that you saw this document? 14:15:58 A. Last week. Q. You never saw it in connection with your audit work at AHERF, is that right? A. No. Q. I think we have a double negative 14:16:14 and it's all my fault. So let me try it again. Did you ever see it at any time during your audit work at AHERF? A. No. Q. Did you ever see a document 14:16:23 similarly headed, that is, AHERF analysis of reserves after proposed adjustments or AHERF	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Page 15 A It appears as rounding Q It ties rounded, at least close numbers, to the same amount on the schedule previously marked as 4380, the score sheet, is that right? 14:18:27 A Yes Q Do you know whether anyone at Coopers & Lybrand had this analysis of reserves, that is Exhibit 1689, in his or her hand when the AHERF PP&E score sheet marked as 14:18:43 4380 was prepared? A No, I don't know. Q Did you ever learn that Coopers & Lybrand auditors had been given reserve analyses or what was sometimes I think referred 14:19:04 to as cushion analyses that looked like Exhibit 1689 during their audit work in connection with AHERF? A. I'm sorry, can you repeat that? Q Did you ever learn that anybody 14:19:17 else on the C&L — on any C&L engagement team ever received cushion or reserve analyses that

39 (Pages 153 to 156)

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF ALLEGHENY HEALTH, EDUCATION & RESEARCH FOUNDATION, Plaintiff,

vs. PRICEWATERHOUSECOOPERS, LLP,

Defendant.

Civil Action No. 00-684

Continued Videotaped Deposition of AMY FRAZIER, called for examination under the Applicable Rules of Federal Civil Procedure, taken before me, Michele E. Eddy, a Registered Professional Reporter and Notary Public in and for the State of Ohio, pursuant to notice and stipulations of counsel, at the offices of Jones Day, 222 East 41st Street, Suite 400, New York, New York, on Wednesday, the 9th day of June, 2004, at 9:00 a.m.

VOLUME II

RENNILLO REPORTING SERVICES

1	Page 385 of the Lockhart trusts, as we've now defined	1	Page 387 ask him, you can tell me that.
2	the term, in connection with your '96 audit	2	MR RYAN: You're asking what the
3	work?	3	word means or where in the schedule the numbers
4	A I don't recall	4	can be found? I'm confused
5	Q Do you recall ever learning from 13:31:46	5	MR JONES: If that's a part of her 13:34:20
6	Mr. Panucci or his colleague Patty that they	6	answer, that's fine. I asked her what the word
7	had reviewed the language of the Lockhart Trust	7	principal means to her
8	as we've now defined them themselves?	8	
9	A. I recall a discussion with Mark	9	MR. RYAN: Okay.
10	Panucci about AHERF endowments, not necessarily 13:32:09	10	A. You're referring to tick mark A?
11	using the term Lockhart trusts as we've now	11	Q. Yes, I am. 13:34:28 A. I don't know obviously precisely
12	defined them	12	2.1
13	Q. What do you recall about that	13	what he meant when he wrote it, but I have a
14	conversation?	14	general understanding of that term in the context of endowments.
15	A It was initially a conversation 13:32:22	15	
16	where he shared a view of AHERF management on	16	Q. What do you think it means in your 13:34:43
17	how to record the AHERF endowments and which	17	read of it now since you don't recall the document from '96?
18	then followed with the conversation with Jack	18	
19	Lyden to actually discuss what they were	19	A. The original corpus or the
20	proposing 13:32:46	20	original balance that was contributed by the donor. 13:34:56
21	Q. We'll come back to that view	21	
22	sharing But my question is, do you ever	22	Q. So the amounts, perhaps, under the column contribution on the far right-hand
23	recall learning from Mr. Panucci that he had	23	margin of page one or page two of the
24	reviewed each of the five Lockhart trusts in	24	exhibit?
25	connection with his '96 audit work? 13:32:57	25	A. Yes. 13:35:12
		1	
		<u> </u>	
1	Page 386		Page 380
1	A. I don't know if it was each of the	1	Q. The black binders that you referred
2	A. I don't know if it was each of the five trust documents, recognizing that he was	2	Q. The black binders that you referred to for the western region, would you include
2	A. I don't know if it was each of the five trust documents, recognizing that he was performing testing on their controls. But he	2 3	Q. The black binders that you referred to for the western region, would you include within the western region AHERF the parent
2 3 4	A. I don't know if it was each of the five trust documents, recognizing that he was performing testing on their controls. But he had documents or certain information available	2 3 4	Q. The black binders that you referred to for the western region, would you include within the western region AHERF the parent company in your understanding of western
2 3 4 5	A. I don't know if it was each of the five trust documents, recognizing that he was performing testing on their controls. But he had documents or certain information available during that discussion that he and I have had. 13:33:16	2 3 4 5	Q. The black binders that you referred to for the western region, would you include within the western region AHERF the parent company in your understanding of western region? 13:35:24
2 3 4 5 6	A. I don't know if it was each of the five trust documents, recognizing that he was performing testing on their controls. But he had documents or certain information available during that discussion that he and I have had. 13:33:16 I just don't know which ones or all or whether	2 3 4 5 6	Q. The black binders that you referred to for the western region, would you include within the western region AHERF the parent company in your understanding of western region? 13:35:24 A. Yes.
2 3 4 5 6 7	A. I don't know if it was each of the five trust documents, recognizing that he was performing testing on their controls. But he had documents or certain information available during that discussion that he and I have had. 13:33:16 I just don't know which ones or all or whether it was a representative part of the population	2 3 4 5 6 7	Q. The black binders that you referred to for the western region, would you include within the western region AHERF the parent company in your understanding of western region? 13:35:24 A. Yes. Q. Do you recall ever learning from
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. I don't know if it was each of the five trust documents, recognizing that he was performing testing on their controls. But he had documents or certain information available during that discussion that he and I have had. 13:33:16 I just don't know which ones or all or whether it was a representative part of the population Q. I'm sorry, I interrupted you. A. Whether it represented the population that he was reviewing 13:33:29 Q. Do you believe that he should have reviewed each of the five Lockhart trusts as we've defined them, in connection with his '96 audit work? MR. RYAN: Objection 13:33:39 A. No, given that he was performing a test of controls of a process that AHERF management had implemented Q. Do you know what he means in his note about principal when he says reviewed the 13:33:52 "C&L reviewed the endowment agreements and noted the principal was permanently	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. The black binders that you referred to for the western region, would you include within the western region AHERF the parent company in your understanding of western region? 13:35:24 A. Yes. Q. Do you recall ever learning from whom or from what source Mr. Panucci or Patty I've lost her last name A. Francioni. 13:35:35 Q Francioni received the black binders? A. I don't remember who they had gotten them from in the past. I just don't recall. 13:35:53 Q. Do you know what do you have any recall from '96 about what Mr. Panucci meant with the term income in tick mark A? This is recall from your work in '96. A. I don't have a recollection based. 13:36:15 on this schedule and what he wrote here. Q. Reading the schedule today, do you
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2 3 4 5 6 7 8	A. I don't know if it was each of the five trust documents, recognizing that he was performing testing on their controls. But he had documents or certain information available during that discussion that he and I have had. 13:33:16 I just don't know which ones or all or whether it was a representative part of the population Q. I'm sorry, I interrupted you. A. Whether it represented the population that he was reviewing 13:33:29 Q. Do you believe that he should have reviewed each of the five Lockhart trusts as we've defined them, in connection with his '96 audit work? MR. RYAN: Objection 13:33:39 A. No, given that he was performing a test of controls of a process that AHERF management had implemented Q. Do you know what he means in his note about principal when he says reviewed the 13:33:52 "C&L reviewed the endowment agreements and noted the principal was permanently	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. The black binders that you referred to for the western region, would you include within the western region AHERF the parent company in your understanding of western region? 13:35:24 A. Yes. Q. Do you recall ever learning from whom or from what source Mr. Panucci or Patty I've lost her last name A. Francioni. 13:35:35 Q Francioni received the black binders? A. I don't remember who they had gotten them from in the past. I just don't recall. 13:35:53 Q. Do you know what do you have any recall from '96 about what Mr. Panucci meant with the term income in tick mark A? This is recall from your work in '96. A. I don't have a recollection based. 13:36:15 on this schedule and what he wrote here. Q. Reading the schedule today, do you

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1 agreements or some other information at the	l that's necessarily the right the right term,
2 time, I'm not sure what it could mean	2 but the you know, just broadly speaking,
3 several components.	3 that they believed that these had some
4 Q. The next tick mark B reads, "C&L	4 potential to be used for operations, but
5 reviewed the endowments." 13:37:13	5 because it was not clear in the agreement that 13:40:01
6 It says again that C&L reviewed the	6 they should be conservative in how they treated
7 endowments, right?	7 them.
8 A. Yes.	8 Q. Again, you didn't review the
9 Q. And noted then it continues.	9 agreements yourself to determine whether you
10 And noted there were general income 13:37:23	10 thought it was clear or not, is that right? 13:40:10
II restrictions on the items. "Management took	11 A. I don't recall if I had the actual
12 the current income as unrestricted since the	12 agreements in my hand. I recall this
13 amount would have been expensed in the current	13 discussion with Jack Lyden and even a follow-up
14 year and any income from the prior years was	14 discussion, actually, with Al Adamezak to talk
15 kept as temporary restricted." 13:37:42	15 about the language that was in the AHERF 13:40:29
16 Have I read the first sentence or	16 agreements as I knew them.
17 so accurately?	17 Q. Do you recall any of the language
18 A. Yes	18 to which you refer now?
19 Q Do you know what income means in	19 A. Just that income was not clear and
20 this tick mark? 13:37:52	20 that the general purposes of the organization 13:40:49
21 A. Today or	21 was part of that terminology.
22 Q Yes. First, do you have any	22 Q. When you say income was not clear,
23 recollection from '96?	23 or restrictions on income was not clear, or the
24 A. I do not have a recollection from	24 interpretations related to income was not
25 '96. 13:38:05	25 clear, what do you mean by income? 13:41:05
Page 390	Page 39
I Q. Do you have an interpretation of it	1 A. The availability of unrestricted
2 today?	2 I'm sorry, unrealized, realized gains and
3 A. Not without the facts and	3 interest income, dividends and earnings.
4 circumstances that existed at that time. I	4 Essentially the cumulative earnings was how
5 would need that information 13:38:17	5 was the context of the discussion that it was 13:41:28
6 Q. The next sentence reads the next	6 everything in that pile.
7 sentence from tick mark B, "The reason	7 Q. So you are defining income in your
8 management was being conservative and could not	7 Q. 50 you are defining income in your
• · · · · · · · · · · · · · · · · · · ·	8 term to include anything that wasn't the
9 take the approach, the entire amount has been	
9 take the approach, the entire amount has been 10 expensed. C&L agrees with this treatment." 13:38:32	8 term to include anything that wasn't the
9 take the approach, the entire amount has been 10 expensed. C&L agrees with this treatment." 13:38:32 11 Do you see that?	8 term to include anything that wasn't the 9 original contribution?
9 take the approach, the entire amount has been 10 expensed. C&L agrees with this treatment." 13:38:32 11 Do you see that? 12 A. Yes	8 term to include anything that wasn't the 9 original contribution? 10 A. In this particular situation. 13:41:39
9 take the approach, the entire amount has been 10 expensed. C&L agrees with this treatment." 13:38:32 11 Do you see that? 12 A. Yes 13 Q. Do you recall C&L agreeing with the	8 term to include anything that wasn't the 9 original contribution? 10 A. In this particular situation. 13:41:39 11 Obviously there are others that it could have
9 take the approach, the entire amount has been 10 expensed. C&L agrees with this treatment." 13:38:32 11 Do you see that? 12 A. Yes	8 term to include anything that wasn't the 9 original contribution? 10 A. In this particular situation. 13:41:39 11 Obviously there are others that it could have 12 been defined differently where it specifically
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]	Page 393 those that were held at the books of AHERF, the	1	Page 395 pronouncement, which included gathering all of
2	parent?	2	the documents, reviewing them with their legal
3	A. Correct	3	counsel in-house, and evaluating the impact of
4	Q. Whether or not it was justified	4	the new standards So it was a process that
5	Lockhart trusts? 13:42:24	5	they had undertaken 13:45:11
6	A. That's correct.	6	Q Well, my question is, did you
7	Q. If there were others, your	7	actually hear from anybody that AHERF had gone
8	understanding of the term income applied to	8	to financial institutions and requested copies
9	those others as well, others besides the five	9	of underlying endowment agreements for the
10	Lockhart trusts held on the accounts at AHERF, 13:42:32	10	endowments held at AHERF, the parent? 13:45:21
11	the parent?	11	A I believe your original question
12	I withdraw the question. I think	12	was more directed to me, whether I personally
13	we understand each other	13	did
14	In any event, your definition of	14	Q It certainly was You referred me
15	income was everything but the original 13:42:50	15	to AHERF personnel. That's why we're coming 13:45:29
16	contribution?	16	back to that.
17	A. In the context of our discussions	17	Do you ever recall hearing from
18	on this, yes	18	anybody that AHERF personnel were instructed or
19	Q. You understood the point person at	19	had actually themselves gone out and asked for
20	AHERF who had been involved in the 13:43:15	20	copies of endowment agreements from financial 13:45:40
21	classifications for the AHERF parent endowments	21	institutions in connection with this '96
22	was Mr. Lyden?	22	endowment review?
23	A Mr. Lyden and Mr. Adamczak.	23	A. I don't know if I I don't recall
24	Q. Was there any discussion about	24	if I knew that. I know they were gathering
25	whether the use of the classification 13:43:31	25	documents. I'm not sure of all the sources 13:45:53
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1	temporarily restricted would create a cushion	1	Q. My question is now, back to you,
2	to enhance earnings in future years?	2	did you ever yourself make an inquiry, call,
3	MR RYAN: Objection to form	3	visit a financial institution and ask for
4	A. There was no discussion about that.	4	copies of endowment agreements you believed to
5	Q. Did you think that might be the 13:43:48	5	be held by AHERF, the parent, in your '96 work? 13:46:06
6	case?	6	A. I believe I said no because they
7	A Absolutely not	7	were doing it - because they were taking their
8	Q Did that turn out to be the case,	8	own procedures to get the documents.
9	to your knowledge?	9	Q. My question now is did you instruct
10	A. No. 13:43:56	10	Mr Panucci or anybody else to do that? 13:46:22
11	Q Do you recall ever making an	11	A. No, I instructed him to review the
12	inquiry of any financial institution about	12	process of what management was undertaking
13	receiving copies of endowment agreements which	13	Q Did you ever learn from Mr. Lyden
14	endowments were held on the accounts of AHERF,	14	or anybody else that AHERF or C&L had only
15	the parent? 13:44:23	15	partial copies or believed they had only 13:46:56
16	THE WITNESS: I'm sorry, can you	16	partial copies of any of the five endowments
17	repeat that?	17	that we've now defined as the Lockhart trusts?
18	(Record read)	18	MR. RYAN: Could I get that read
19	A No, because I believe they were	19	back, please?
20	they, AHERF, had been undergoing that process 13:44:43	20	(Record read.) 13:47:31
21	themselves	21	A. I don't recall. I know there were
22	Q Why did you believe that?	22	cases where they didn't have complete documents
1	A. They had a number of steps that	23	or information was not available. I just don't
23	•	2.4	and the second s
24	they had been implementing throughout the	24	recall specifically related to those documents
		24 25	recall specifically related to those documents at AHERF 13:47:48

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1	Q Who did you learn what you just	1	category was the approximate 5 4 million in the
2	learned about some documents, perhaps, being	2	contribution column?
3	missing from?	3	A. I'm not sure without looking at all
4	A. I don't recall if it was Carolyn	4	the detail
5	Cafaro or someone, that there were documents 13:48:09	5	Q Is there anything else in this 13:51:28
6	that were very old that they were trying to	6	schedule that suggests that any amount greater
7	track down.	7	than 5.4 million was to be permanently
8	Q. Well, they were old documents that	1	
9	might have some missing portions or they were	8	restricted or reflected as permanently
10	- · · · · · · · · · · · · · · · · · · ·	9	restricted on the '96 financials?
	just old documents? 13:48:24	10	A I just don't know without agreeing 13:51:58
11	A Old documents that they may just	11	these to the actual trial balances
12	not even have because they never existed or	12	Q Let's ask it this way Do you
13	period, or and I don't know if that was	13	ever before I do that
14	parts, pieces. It was just that they didn't	14	Did you ever learn from any source
15	it was quite an effort to gather materials 13:48:41	15	that Melion Bank would not permit AHERF access 13:52:13
16	throughout the system	16	to any funds or sums held in the Lockhart
17	Q. Miss Cafaro you understood to be	17	endowments, as we've described them, other than
18	involved with endowment work related to the	18	interest and dividend income?
19	eastern enterprises, is that right?	19	MR. RYAN: This is at any point in
20	A. Principally in 1996. But she 13:48:58	20	time? 13:52:34
21	clearly was identified as the person who had	21	MR JONES: Yes
22	really spent a significant amount of time in	22	A. Yes.
23	understanding the pronouncements and was	23	Q. When did you first learn that?
24	helping the others in the western region with	24	A 1998.
25	evaluating what they needed to do 13:49:10	25	Q. In fact, for a number of years, 13:52:40
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,	Page 398		Page 400
]	Q Do you know yourself whether she	1	both before and after fiscal year 1996, the
2	was involved in any way in locating documents,	2	income and dividend I'm sorry, the interest
3	endowment documents for western enterprises, or	3	and dividend income on the Lockhart trusts you
4	AHERF, the parent?	4	came to learn was shipped automatically to a
5	A. I don't know. 13:49:19	5	concentration account held by AHERF or AGH 13:52:58
6	Q. Tick mark C on the exhibit before	6	before AHERF, is that fair to say?
7	you reads, "C&L agreed the amounts to the	7	MR RYAN: Objection
8	endowment agreements without exception."	8	A I don't recali
9	Did I read that right?	9	Q Did you ever learn that from any
10	A. Yes. 13:49:39	10	source? 13:53:08
11	Q. Again, Mr. Panucci or his ghost	11	A I don't recall
12	writer is referring to procedures that would	12	Q. When I say shipped to, I mean
13	call for having the endowment agreements the	13	siphoned off or periodically removed from the
14	endowment agreements in hand, is that fair to	14	trust balances at Mellon and given to other
15	say? 13:49:55	15	accounts held in the name of AHERF or AGH, that 13:53:26
16	A. Certainly that would support that,	16	is the interest and dividend income? Did you
17	yes. I don't know if it was the entire amount	17	ever learn that maybe I don't have the terms
18	or entire document, but whatever had been	18	exactly right but did you ever learn that as
19	provided		
20		19	a matter of principle had occurred?
	Q. Does this schedule reflect in your 13:50:31	20	A I know, generally speaking, there 13:53:38
21	view today, since you don't recall it from the	21	were accounts that they had that amounts they
22	'96 time frame, that the only amount classified	22	received might go into another account balance
23	in the '96 financials that this schedule	23	I just don't know how the I can't recall if
24	would propose to be classified on the '96	24	it relates to these or others. I mean, I
25	financials in the permanently restricted 13:50:47	25	remember the term concentration account also, 13:53:54
			35 (Pages 397 to 400

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF ALLEGHENY HEALTH, EDUCATION & RESEARCH FOUNDATION, Plaintiff,

VS.
PRICEWATERHOUSECOOPERS,
LLP,

Civil Action No. 00-684

Defendant.

Continued Videotaped Deposition of AMY FRAZIER, called for examination under the Applicable Rules of Federal Civil Procedure, taken before me, Michele E. Eddy, a Registered Professional Reporter and Notary Public in and for the State of Ohio, pursuant to notice and stipulations of counsel, at the offices of Jones Day, 222 East 41st Street, Suite 400, New York, New York, on Thursday, the 10th day of June, 2004, at 9:00 a.m.

VOLUME III

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1	the first meeting?	1	A I just said it was unnecessary, you
2	Q. At any time up to and including the	2	don't need it, why are you doing it? You need
3	conversation with him.	3	to have reserves at Graduate, keep them there.
4	A. I really had no understanding of	4	Q. My question was, did you tell him
5	what it was to come to a conclusion. I needed 09:54:44	5	to reverse it? 09:56:47
6	more facts.	6	A. Yes.
7	Q. Did you ever formulate a conclusion	7	Q What did he say in this
8	or ever come to the view that this transaction	8	conversation?
9	was consistent with GAAP?	9	A. I don't recall. I mean it had
10	MR RYAN: Could I get that read 09:54:58	10	been on two occasions at least that I had had 09:56:54
11	back, please?	11	that discussion with him and - and I just - I
12	(Record read.)	12	don't recall what he said. I do recall, back
13	A. Yes	13	again to that first conversation of it's what
14	Q. So you believed at some point that	14	they did, figure it out
15	it was okay under GAAP? 09:55:15	15	Q. When did you first tell 09:57:14
16	MR RYAN: Objection I don't	16	Mr. Cancelmi that you thought he should reverse
17	think that's what she just said.	17	the transaction or the entries or that they
18	Q. So you formulated a conclusion at	18	were stupid?
19	some point that this was consistent with GAAP?	19	MR. RYAN: Objection
20	A. You asked me if I developed a view. 09:55:23	20	Q. Maybe it can help you by saying how 09:57:27
21	Q. Yes	21	close in time after the first August meeting
22	A. If it was consistent. And I'm	22	with him?
23	saying, yes, I developed a view	23	A. It was sometime during year-end
24	Q. What was the view?	24	field work. It's a compressed period of a few
25	A. That it was not consistent. 09:55:30	25	weeks. It really I don't know. 09:57:38
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	Page 583		Page 585
1	Q. Thank you.	1	Q. Was it in August or September of
2	A Not necessarily consistent with	2	'97?
3	GAAP	3	 A. It was probably later August or
4	Q. When did you formulate that view,	4	early September: I just don't know.
5	that this set of entries regarding the 50 09:55:36	5	Q Do you recall anything more about 09:57:52
6	million dollar reserve transfers was not or	6	the subsequent two conversations in which you
7	were not consistent with GAAP? The question is	7	asked Mr. Cancelmi to or told Mr. Cancelmi
8	when	8	to reverse the entries than what you've just
9	A Sometime later in the audit as I	9	told me as you sit here today?
10	got more information, that if the adjustment, 09:55:52	10	A. The one other was what we had 09:58:04
11	at least as I was understanding it from their	11	talked about yesterday relative to Rancocas,
12	perspective, would not be consistent with GAAP,	12	which was obviously later.
13	that it was a bookkeeping entry that I needed	13	Q. We talked about that one yesterday.
14	to evaluate	14	A. Yes.
15	Q Did you share your view with 09:56:08	15	Q. Anything more? 09:58:13
16	anyone?	16	A. I mean, there were a number of
17	A. Yes	17	other just discussions that were taking place
18	Q With whom?	18	throughout the course of the audit relative to
19	A. I discussed that with Mr. Buettner	19	purchase accounting and related to Graduate
20	and on other occasions with Mr Cancelmi saying 09:56:15	20	Q. No, let me help you limit the 09:58:33
21	why would you do something so stupid, reverse	21	question
22	it	22	A. Okay.
23	Q. So I understand that last piece of	23	Q I'm sorry to interrupt you.
24	the testimony, you told Mr. Cancelmi to	24	A. That's okay.
25	reserve to reverse this reserve transfer? 09:56:32	25	Q. I really want to know anything more 09:58:39
		1	· · · · · · · · · · · · · · · · · · ·

J				Volume
	l you recall, anything about the two	86		Page 588
	2 conversations in which you told Mr. Cancelmi to		1 A I don't recall. It was really	
	3 reverse the two entries.		2 within those last few weeks of the audit, or at	
	4 MR. RYAN: Other than what she's		3 least that main stage of the year-end field	
	5 already testified to 09:58:46		4 work	-
	6 MR. JONES: Yes.		5 Q Was it more than a few days between	10:20:11
	Q. Which was, I think, he should		6 those two conversations?	
	reverse them because they weren't necessary.		7 A I really don't recall. It could	
ç	The state of the s		8 have spanned a weekend for all I know.	
10) 0 0-4-4	. .	9 Q. Do you recall working on or having	
1	(9:38:3)	" J	10 performed any analysis between the two	10:20:28
12	The got a lot yesterday		11 conversations that led you to conclude that the	
13	The state of the control of the cont	1	12 Graduate hospitals needed the reserves and the	
14	C not abiding about the Kancocas		13 Delaware Valley Obligated Group did not?	
15	4 17	1 1	14 A. Yes.	
16	19:39:0	3 1	15 MR RYAN: Objection. 10:20	n-40
		1	16 Q. So this was an analysis that you	7. 10
17	2. 20 Jou recall thin evel saville us	1	17 could have completed over a weekend?	
18	and it, that is, levelse it!	1	18 MR RYAN: Objection.	
19		1	19 A. There was various things that were	
20	09:39:19	20	70	10.00 51
21	Q. Had you known Mr. Cancelmi in his	2	21 end of the audit. So I don't remember when I	10:20:51
22	work at Coopers & Lybrand?	22	completed each of those pieces that kind of	
23	A. Oh, yes.	23	23 mixed into that analysis.	
24	Q Had you worked together on audits?	24	Q But you had done some work between	
25	A. Yes. 09:59:25	25	1) the two convergetions and the second	
			in the topic of who	0:21:07
I	Q Which audits?	١,	1	age 589
_	A. AHERF. I don't recall if there	1 1		
4	C ALLEXE I GOIL FECSION THEFE	1		
		2	2 A. Yes, including talking to	
3	were others. There may have been something	3	A. Yes, including talking to Mr. Buettner about it as well.	
3	were others. There may have been something else, but	2 3 4	A. Yes, including talking to Mr. Buettner about it as well. Q. When you talked with Mr. Buettner	
3 4 5	were others. There may have been something else, but Q. Did you consider him a good working 09:59:37	2 3 4 5	A. Yes, including talking to Mr. Buettner about it as well. Q. When you talked with Mr. Buettner the first time, was that how many days or	21:16
3 4 5	were others. There may have been something else, but Q. Did you consider him a good working 09:59:37 colleague in your times together at C&L?	2 3 4 5 6	A. Yes, including talking to Mr. Buettner about it as well. Q. When you talked with Mr. Buettner the first time, was that how many days or was it after or was it the same day as the	21:16
3 4 5 5	were others. There may have been something else, but Q. Did you consider him a good working 09:59:37 colleague in your times together at C&L? A. Yes. He was smart, technical,	2 3 4 5 6 7	A. Yes, including talking to Mr. Buettner about it as well. Q. When you talked with Mr. Buettner the first time, was that how many days or was it after or was it the same day as the first conversation with Mr. Cancelmi?	21:16
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		T	
	Page 590		Page 592
1	procedures	1	A. It's notes from a meeting that I
2	Q. Do you recall anything more about	2	had with Dan Cancelmi on some early purchase
3	the conversation, anything he said or you said?	3	accounting adjustments that they had provided
4	A. We actually talked about the entire	4	to us.
5	memo and all of the things on the memo as part 10:22:27	5	Q. That meeting occurred on the day of 10:25:02
6	of that conversation, so it was not just the 50	6	the - that your notes are dated, 7-16-97?
7	million. I recall also just talking about an	7	A. I'm not sure if that was the actual
8	update on the overall status of the audit	8	date, but it was probably approximately then.
9	Q Related to the Graduate reserve	9	Q. Was your practice to, when you took
10	transfers, though? 10:22:45	10	notes about meetings, to date them, the notes 10:25:18
11	MR RYAN: You're asking if there's	11	on the day the meeting was held?
12	anything in this first meeting with	12	A. Not always.
13	Mr. Buettner that she can remember?	13	Q. Why would you vary from that?
14	MR JONES: Beyond what she's just	14	A. I may not have dated it and the
15	said about the Graduate reserve transfer issue. 10:22:52	15	next day when I went back to it dated it. I 10:25:30
16	 A. Just generally, we had some work to 	16	just it depended. There was no consistency
17	do and needed to understand.	17	necessarily.
18	Q. Had you did you tell	18	Q. Do you have any doubt that you met
19	Mr. Buettner, in your first conversation with	19	with Dan Cancelmi and discussed these topics
20	him on the topic, that you had already told 10:23:02	20	within a few days of July 16, 1997? 10:25:42
21	Mr. Cancelmi to reverse the entries?	21	A. No
22	A. No. My recollection was that I was	22	Q. In fact, you've written Dan C at
23	still at the early stages of not really	23	the top of the page and your initials, ASF, is
24	understanding what exactly the transaction was,	24	that right?
25	so I couldn't formulate that type of an opinion 10:23:17	25	A. That's correct. 10:25:53
	Page 591		Page 593
1	at that point.	1	Q. The topic is Graduate purchase
2	Q. Can you recall today what it is you	2	adjustments?
3	had done between the first conversation with	3	A. Yes.
4	Mr Cancelmi about the topic and the	4	Q. I'm going to ask you to tell me if
5	conversation during which you first told him to 10:23:28	5	you recall what you meant by amortization 35 10:26:06
6	reverse the entries by way of analysis?	6	years, item two
7	A. I'm sorry, with Mr. Cancelmi?	7	A. I don't recall the actual note, but
8	O. Yes As you sit here today.	8	I recall generally speaking, that they wanted
9	A. I just broadly recall knowing that	9	to amortize the good will established, the
9 10	A. I just broadly recall knowing that Graduate needed them for purposes at Graduate 10:23:46		to amortize the good will established, the positive good will established for the Graduate 10:26:25
9 10 11	Graduate needed them for purposes at Graduate 10:23:46	9 10 11	positive good will established for the Graduate 10:26:25
10	Graduate needed them for purposes at Graduate 10:23:46 I don't recall generally what I don't recall	10	positive good will established for the Graduate 10:26:25 acquisition as over 35 years
10 11	Graduate needed them for purposes at Graduate 10:23:46 I don't recall generally what I don't recall specifically what steps that included at that	10 11	positive good will established for the Graduate 10:26:25
10 11 12	Graduate needed them for purposes at Graduate 10:23:46 I don't recall generally what — I don't recall specifically what steps that included at that point, but I at least had a view that Graduate	10 11 12 13	positive good will established for the Graduate 10:26:25 acquisition as over 35 years Q. Did C&L ever take exception to this treatment?
10 11 12 13 14	Graduate needed them for purposes at Graduate 10:23:46 I don't recall generally what — I don't recall specifically what steps that included at that point, but I at least had a view that Graduate needed them I don't know if at that point I	10 11 12 13 14	positive good will established for the Graduate 10:26:25 acquisition as over 35 years Q. Did C&L ever take exception to this treatment? A. I don't believe so, but I know that
10 11 12 13 14 15	Graduate needed them for purposes at Graduate 10:23:46 I don't recall generally what — I don't recall specifically what steps that included at that point, but I at least had a view that Graduate needed them I don't know if at that point I was at the stage of knowing whether or not DVOG 10:24:04	10 11 12 13 14 15	positive good will established for the Graduate 10:26:25 acquisition as over 35 years Q. Did C&L ever take exception to this treatment? A. I don't believe so, but I know that there was some good will that did not — that 10:26:37
10 11 12 13 14 15	Graduate needed them for purposes at Graduate 10:23:46 I don't recall generally what — I don't recall specifically what steps that included at that point, but I at least had a view that Graduate needed them I don't know if at that point I	10 11 12 13 14 15 16	positive good will established for the Graduate 10:26:25 acquisition as over 35 years Q. Did C&L ever take exception to this treatment? A. I don't believe so, but I know that there was some good will that did not — that 10:26:37 went to PP&E, so, I mean, there was further
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10 11 12 13 14 15 16 17 18 19 20 21	Graduate needed them for purposes at Graduate. 10:23:46 I don't recall generally what — I don't recall specifically what steps that included at that point, but I at least had a view that Graduate needed them I don't know if at that point I was at the stage of knowing whether or not DVOG 10:24:04 didn't need reserves (Thereupon, Deposition Exhibit 4435 was marked for purposes of identification)	10 11 12 13 14 15 16 17 18 19 20 21	positive good will established for the Graduate acquisition as over 35 years Q. Did C&L ever take exception to this treatment? A. I don't believe so, but I know that there was some good will that did not — that there was some good will that did not — that there steps taken later that I would need to look at that detail. Q. Would you flip to the second page of your notes? See at the bottom of the page the number 50 and the letter M? Do you know
10 11 12 13 14 15 16 17 18 19 20 21 22	Graduate needed them for purposes at Graduate 10:23:46 I don't recall generally what — I don't recall specifically what steps that included at that point, but I at least had a view that Graduate needed them I don't know if at that point I was at the stage of knowing whether or not DVOG 10:24:04 didn't need reserves (Thereupon, Deposition Exhibit 4435 was marked for purposes of identification) Q I'm going to hand you now what	10 11 12 13 14 15 16 17 18 19 20 21 22	positive good will established for the Graduate acquisition as over 35 years Q. Did C&L ever take exception to this treatment? A. I don't believe so, but I know that there was some good will that did not — that there was some good will that did not — that there steps taken later that I would need to look at that detail. Q. Would you flip to the second page of your notes? See at the bottom of the page the number 50 and the letter M? Do you know why you wrote that note, 50 M?
10 11 12 13 14 15 16 17 18 19 20 21 22 23	Graduate needed them for purposes at Graduate 10:23:46 I don't recall generally what — I don't recall specifically what steps that included at that point, but I at least had a view that Graduate needed them I don't know if at that point I was at the stage of knowing whether or not DVOG 10:24:04 didn't need reserves (Thereupon, Deposition Exhibit 4435 was marked for purposes of identification) Q I'm going to hand you now what we've marked as Exhibit 4435	10 11 12 13 14 15 16 17 18 19 20 21 22 23	positive good will established for the Graduate acquisition as over 35 years Q. Did C&L ever take exception to this treatment? A. I don't believe so, but I know that there was some good will that did not — that there was some good will that did not — that there was truther steps taken later that I would need to look at that detail. Q. Would you flip to the second page of your notes? See at the bottom of the page the number 50 and the letter M? Do you know why you wrote that note, 50 M? A. I believe it's in different — I'm
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Γ	2 (02)01				Volume
	Frazier, give you any reason to believe that	e 610			Page 612
2	you knew about the 50 million dollar reserve		1	l into the planning work papers.	
3	transfers of which we've been and live in		1	Q You can't recall?	
4	transfers of which we've been speaking in April of '97?		3	A. I can't, without looking at that.	
5	4 42 4 4		4	a respective fidelines of years.	
1	10:40:3	8	5	5 A Yes 10:48:53	
7	August or year-end field work of 1997.		6	2 Day you recall with clarity that	
	Q. Let's skip to the next page. It		7		
8	says materiality, 15 million dollars, \$500,000		8	a number of years ago did not refer to the	
	SUD Did I read that right?		9	transfer of the reserves from the Graduate	
10	MR_RYAN: I'm not sure it was 15. 10:47:	16	10	hospitals to the Delaware Valley Obligated	10:49:19
	MR JONES: I said 15	ĺ	11	Group hospitals, am I right?	10.45.15
12	MR RYAN: I'm not sure that that's		12		
i .	15.	ļ	13	of a conference call. This, we wouldn't have	
14	A. I believe that's I.5. There's a	ĺ	14	been talking about materiality with that call	
	faint dot there that maybe on the original is 10:47:	23	15	O V 0 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	40-22
1	nore clear		16		49:22
17	Q. I apologize if I've misread it, but	l	17	~	
18 I	really can see no dot. So if that's your	l	18	follow-up discussion even after we got off the	ĺ
19 b	est recollection - you've seen the document a	ļ	19	phone, but I remember the call	ĺ
20 n	number of times before, is that right? 10:47:34	.	20	O Vou on III o	
21	A. Yes. It's 1.5.	- 1	21	precisely so that you can provide the	10:49:33
22	Q. So the note reads, and it's in red,		22	precisely so that you can quote them, am I right, today?	
23 n	nateriality, 1.5 million dollars, \$500,000 SUD,		23	•	
24 is	that right?	1	24	MR RYAN: Objection	
25	A. Everything is in red. There wasn't 10:47:50		25	Q. That the reserves were for Graduate	
· · · · · · · · · · · · · · · · · · ·	10.17.50		4J	at Graduate in those words? 10:49	:43
l ar	Page (611			Page 613
2	nything unique about it being red.		1	MR. RYAN: Objection.	I age 015
	Q. I was just trying to time it so		2	A In those words. I don't know if he	
3 ui	at we knew when you took it. A. Yes.		3	had ands and the's in between, but he said	
5	· ·		4	they're for Graduate at Graduate for the types	
6	Q. Do you know what that means today? 10:47:	57	5	of this man that the state of t	19:52
_	A I was referring to some materiality		6	Q. I just want to make sure you recall	,,,,,,
	idelines that we were contemplating as part		7	that today.	
	planning for the audit.		8	A Absolutely	
9	Q. What did the 1.5 million dollars		9	Q Miss Frazier, I'm handing you what	
	fer to? 10:48:12	1	0		10:50:34
11	A I would have to look back to our] 1	1	named Halmemann Trial Balance Review. Do yo	1 4.5.0 6.0 1
	tual planning information I just don't] 1	2	see that?	/\d
	call as I sit here today	1	3	A Yes.	
14	Q Do you know what the 500,000 K SUD	1	4	Q. This is a working paper, I believe,	[
	erred to? 10:48:27		5	that has been suited to the total	0.50 45
16	A. Based on that, it's an I don't			version of the CLASS database that was not the	0:50:46
l7 rec	all writing it, but, based on that, it	1		final version of the CLASS database for fiscal	
18 арр	pears at least as an initial recommendation	13		year '97.	ĺ
9 of	what we would include as possible	119		•	-
0 adj	ustments on the SUD. 10:48:37	20		If you look about one, two, three,	
!I	Q. But the you can't recall what	2	, I	four pages into the document, you'll see a 10:	51:09
2 the	1.5 million dollars reserves to?		:)	print of the screen that shows you as the	ļ
:3	Is that overall materiality?	22		author. Is that right?	ĺ
4	MR RYAN: Objection	23		A That's what it states, yes	
:5	A Langit t t	24		Q. Do you recall authoring this]
	A. I can't recan I need to go back 10:48:46	25) (document? 10:51:27	

i	Page 614	·	р	age 616
1	A. I don't recall the document	1	recall from 6-30-97's audit work about what	age or o
2	specifically, no	2	this means?	
3	Q Do you have any doubt that you did?	3	A. Yes.	
4	A. No, not based on this. I'm not	4	Q. What is your recall of what this	
5	sure I mean, I'm not sure about all of the 10:51:37	5	means? 10:54:10	
6	individual line items within it, but	6	A. That the DVOG hospitals were going	
7	Q If you skip to the next page, the	7	to be implementing their new bad debt	
8	print of that page indicates that you created	8	methodology and, once they did that, they	
9	the document. Is that right?	9	expected that they would need to record	
10	A. Yes. 10:51:51	10	- ·):54:26
11	Q. Do you have any doubt that you did?	11	going to take it over two months of about 25	
12	A. No.	12	and 25 million each.	
13	Q. If you skip to the next page, that	13	Q Where were they going to get those	
14	screen print indicates that you created the	14	reserve amounts, do you have any recollection	
15	document on May 13, 1997 about 2:00 in the 10:52:02	15		0:54:37
16	afternoon. Is that right?	16	this document?	
17	A I'm sorry, I don't see my name	17	MR RYAN: Objection	
18	Q. Well, that the document itself was	18	A I don't recall as far as typing the	
19	created. I was carrying over the presumption	19	document, but I recall generally in April	
20	that you created it from the page prior 10:52:28	20	knowing that they were going to record it as 10	0:54:48
21	A. Oh, I'm sorry. That's what it	21	just normal bad debt reserves that you would do	
22	states, yes.	22	on any type of bad debt reserve transaction.	
23	Q. Can you look at the rest of the	23	Q Who did you learn that from?	
24	screen prints and find for me I believe the	24	A. Dan Cancelmi.	
25	document indicates that it was last modified on 10:52:37	25	Q. When you had those conversations 10):55:02
ļ	Page 615		P	age 617
1	May 22nd, 1997 Do you see that?	1	was this in a conversation?	
2	A. I see date modified, 5-22-97. I'm	2	A. Yes	
3	not sure if that's last modified		7 7	
		3	Q. When you had those conversations,	
4	Q Does that list all of the dates of	3 4		
4 5	the modification there? 10:53:06		Q. When you had those conversations, did Mr. Cancelmi tell you anything about how he anticipated that reserve increase was to be 10:	55:19
5 6	the modification there? 10:53:06 A. I don't know I'm not just that	4 5 6	Q. When you had those conversations, did Mr. Cancelmi tell you anything about how he anticipated that reserve increase was to be 10: recorded in specific?	55:19
5 6 7	the modification there? 10:53:06 A. I don't know I'm not just that familiar with that level of detail of CLASS to	4 5 6 7	Q. When you had those conversations, did Mr. Cancelmi tell you anything about how he anticipated that reserve increase was to be 10: recorded in specific? MR. RYAN: Objection.	55:19
5 6 7 8	the modification there? 10:53:06 A. I don't know I'm not just that familiar with that level of detail of CLASS to know that	4 5 6 7 8	Q. When you had those conversations, did Mr. Cancelmi tell you anything about how he anticipated that reserve increase was to be 10: recorded in specific? MR. RYAN: Objection. A. I just recall it being we're going	55:19
5 6 7 8 9	the modification there? 10:53:06 A. I don't know I'm not just that familiar with that level of detail of CLASS to know that. Q. Let me direct you back now to the	4 5 6 7 8 9	Q. When you had those conversations, did Mr. Cancelmi tell you anything about how he anticipated that reserve increase was to be 10: recorded in specific? MR. RYAN: Objection. A. I just recall it being we're going to record our bad debt reserve like we do, we	
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5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	the modification there? A. I don't know I'm not just that familiar with that level of detail of CLASS to know that. Q. Let me direct you back now to the first page of the document. You see about a 10:53:20 third of the way down on the face page of the document that there is a line that reads, "How is the first 25 of the 50 million distributed to the entities, or did this occur in April." Do you see that? 10:53:39 A. Yes. Q. Do you believe that you typed that line or two lines? A. I don't have any reason to doubt that I didn't 10:53:47 Q. As you sit here today, do you know what that means?	4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q. When you had those conversations, did Mr. Cancelmi tell you anything about how he anticipated that reserve increase was to be 10: recorded in specific? MR. RYAN: Objection. A. I just recall it being we're going to record our bad debt reserve like we do, we adopted the methodology, it's just normal course of business that they've done in the past. Q. When you say normal course of business, how was it recorded at AHERF hospitals? A. In the past? MR. RYAN: You mean generally? Q. Yes, in your experience as of the audit of 1997 A. As bad debt expense. 10:55:46 Q. So you increase bad debt expense on the statement of operations and boost the	9:55:30

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	Page 61	8	Page 620
- 1	l Q You had no knowledge, as of the		l but yes.
- 1	2 date you authored Exhibit 4258, of a plan to or	- [2	Q. It ultimately then, in the same
-	3 the implementation of a plan to move 50 million	1	issue description area, gives us the journal
1	4 dollars of reserves established in connection	4	4 entries or proposed journal entries that would
ı	with the Graduate Hospital acquisition to the 10:56:1.	5 5	be involved. Is that right? 10:58:52
1	6 Delaware Valley Obligated Group bad debt	1 6	
	7 reserves, is that right?	7	there, yes
8		8	Q. When did you first see this
5	C	9	document, if ever, before today?
10	10.50.55	10	10.39.09
12	C 113 The more distributed files	11	other than in deposition preparation.
13	y Boung to do tina in the	12	6 - on court tocall scelle it befole
14	The second secon	13	Drive and you to toothy in the
15		14	-,,
16	10.50.50	15	10:59:25
17		16	C was Jour mat preparation for
18		17	i sale of the sale
19		18	The I don't know.
20	5 5 5 10 10 17, 171103 1 142101,	19 20	O N. () . ()
21		21	10:39:40
22		22	right? A. No.
23		23	· · · · · · · · · · · · · · · · · · ·
24		24	Q. It would not be earlier than that, am I right?
25		25	A = 71
			A. That's correct. 10:59:46
	Page 619		Page 621
1	that right?	1	Q. Do you see this document, it
3	A. That's what it states, yes.	2	appears to be created by Miss Heinlein and last
4	Q. About the 50 million dollar reserve entry, that's what it reads?	3	modified by Miss Heinlein on June 9, 1997?
5		4	A. Yes.
6	A. Yes. 10:57:48 Q. It then reads, "Per conversation	5	Q. If Miss Heinlein has testified that 11:00:13
7	with Robin Schafer, C&L notes that a total of	6	it is her best recollection that she first
8	50 million dollars was intercompanied"	7	heard about the 50 million dollar Graduate
9	"intercompanied from the Graduate hospitals to	8	reserve entries to increase the bad debt
10	the Delaware Valley hospitals due to the DV bad 10:58:05	9 10	reserve at the Delaware Valley Obligated Group
11	debt reserve short-falls.	11	hospitals, that she first learned of that set 11:00:29
12	"A determination was made that 25	12	of entries from you, would you disagree with her today?
13	million of reserves would be recorded in the DV	13	· 1
14	hospitals in the March 1997 financials and the	14	MR RYAN: Objection. A. I don't know. It depends on the
15	remaining 25 million dollars would be recorded 10:58:21	15	4. •
16	in April "	16	Q Well, she's apparently
17	Do you see that?	17	knowledgeable of it as of June 9, 1997, by at
18	A. That's what it says, yes.	18	least as far as you read this document, am I
19	Q. Then there's a schedule below that	19	right?
20	reflects an allocation of those reserves, is 10:58:29	20	A. That's what the document states. 11:00:55
21	that right, to the various Delaware Valley	21	Q So if she knew in June of '97 and
22	Obligated Group hospitals?	22	she says that she learned about it for the
23	A. Yes.	23	first time from you, would you disagree with
24	Q. Which totals 50 million dollars?	24	her today on the record?
25	A. Looks like the totals are all off, 10:58:41	25	MR RYAN: Objection 11:01:07
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			21 (Pages 618 to 621)

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	Page 622		Page 62·
1	A I would need to break down elements	1	Q Do you have any doubt that you
2	of that because I recall discussions with her	2	authored the document?
3	about 50 million dollars in reserves being	3	A No I mean, obviously the response
4	recorded at DVOG and then separately having	4	piece I would not have necessarily authored,
5	discussions with her regarding transfers as 11:01:19	5	but 11:04:30
6	part of the year-end field work. So in the	6	Q. But the review comment you would
7	aggregate, there may be pieces of that I would	7	have authored?
8	agree with, but -	8	A. Likely, yes.
9	Q Let's just let's put it real	9	Q Here you're writing, "Assign a
10	bluntly. If she has testified or does testify 11:01:37	10	basis for the need to account for this at 11:04:43
11	at trial that she knew about the reserve	11	Graduate, i.e., why Graduate needs to establish
12	transfers in June of '97, not whether there	12	such reserves." Did you write that - or did I
13	might be some reserves established in one place	13	read that right? I'm sorry
14	and whether there might be some additional	14	A. Yes
15	reserves needed someplace else, but that she 11:01:49	15	Q In the response it reads, "It was 11:05:03
16	knew about the actual transfer of reserves from	16	concluded that we should keep these two issues
17	the Graduate hospitals to the Delaware Valley	17	separate." Do you see that?
18	Obligated Group hospitals in June of '97 and	18	A Yes
19	she first learned about it from you, do you	19	Q. Do you know what that means, as you
20	disagree with her? 11:02:03	20	sit here today? 11:05:14
21	MR. RYAN: I'll object to that	21	A Generally speaking, yes
22	because I think that mischaracterizes Miss	22	Q What do you think it means?
23	Heinlein's testimony.	23	A That the Graduate reserves and
24	MR. JONES: I posed a hypothetical.	24	whether or not Graduate needed reserves is one
25	Q Do you disagree with her? 11:02:12	25	topic and that whether or not DVOG was impacted 11:05:30
~~	\$ 20 you disagras with the control of the control o		12.00,00
	Page 623		Page 625
1	A. Yes, if that's the hypothetical	1	by the transfer of reserves was another topic
2	Q Handing you now what we've marked	2	Q Do you know who wrote that?
3	as Exhibit 4264, Miss Frazier, I'm going to ask	3	A I do not.
4	you to take a moment to look at that document	4	Q Is this a comment on the issue
5	which I believe has been derived from the final 11:03:01	5	document marked as Exhibit 4302? 11:05:47
6	CLASS database.	6	MR. RYAN: 4302?
7	A. Okay.	7	Q I'm sorry, 4297, I apologize
8	Q Have you seen this document before?	8	MR RYAN: You mean on that
9	A. Yes.	9	version?
10	Q. It reads, "This is not sufficient 11:03:34	10	MR. JONES: Or on any version. 11:06:09
11	documentation," is that right, as an on-line	11	A. I don't know without looking at the
12	summary?	12	electronic CLASS system, the source documents
13	A. Yes.	13	Q We've handed you just now, Miss
14	Q. It has a link to further	14	Frazier, what we've marked as Exhibit 4263.
15	information line that reads, "Exclamation 11:03:44	15	This is a work paper headed Graduate Good Will 11:06:46
16	point, 50 million dollar reserve entry." Is	16	Entry completed by Kristen Heinlein and dated
17	that right?	17	8-21-97 and last modified by Miss Porter
i	-	18	apparently on 9-10-97
i 18	A Yes.	ı	Have you seen this before today?
18	A. Yes. O. It appears that you're the author	10	
19	Q It appears that you're the author	19 20	· · · · · · · · · · · · · · · · · · ·
19 20	Q It appears that you're the author of this document, is that right, from the 11:04:01	20	A. I don't recall. 11:07:03
19 20 21	Q It appears that you're the author of this document, is that right, from the 11:04:01 screen prints and otherwise?	20 21	A. I don't recall 11:07:03 Q Do you recall having any
19 20 21 22	Q It appears that you're the author of this document, is that right, from the screen prints and otherwise? A Yes.	20 21 22	A. I don't recall 11:07:03 Q Do you recall having any involvement in any of its text?
19 20 21 22 23	Q It appears that you're the author of this document, is that right, from the screen prints and otherwise? A Yes. Q It has a date created of 8-7-97.	20 21 22 23	A I don't recall 11:07:03 Q Do you recall having any involvement in any of its text? A No, I don't recall because my name
19 20 21 22	Q It appears that you're the author of this document, is that right, from the screen prints and otherwise? A Yes.	20 21 22	A. I don't recall 11:07:03 Q Do you recall having any involvement in any of its text?

22 (Pages 622 to 625)

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	Page 630		Page 63:
1	A. I don't recall.	1	million dollars," right?
2	Q Let me ask you to skip — to flip	2	A. Yes.
3	to the second page, in the box that reads	3	Q. On the final version of the CLASS
4	"purchase price adjustments."	4	print, Exhibit 4123, the line now reads,
5	Are you with me? 11:13:46	5	"Additional bad debt reserve, 8 million 11:16:07
6	A. Yes.	6	dollars," is that right?
7	Q. There's a note or a line that	7	A. Yes.
8	reads, "Additional bad debt reserve for DVAR, 8	8	Q. So what is different is the words
9	million dollars." Is that right?	9	or phrase for DV A/R. Is that right?
0	A. Yes. 11:13:54	10	A. Yes. 11:16:21
1	Q. You knew City Avenue Hospital to be	11	Q. Do you know why it's been deleted,
12	a Graduate Obligated Group or a Graduate	12	those
13	Hospital, is that right?	13	MR. RYAN: Objection.
14	A Graduate Hospital, yes	14	Q three words, "for DV slash A/R"?
15	Q. Here we've got somebody saying in 11:14:04	15	A. I don't know why they modified the 11:16:34
16	their in the purchase price adjustments for	16	work paper specifically
17	City Avenue, a Graduate Hospital, the words	17	Q Did you ask someone to do that?
18	"additional bad debt reserve for DV slash A/R,	18	MR. RYAN: Objection.
9	8 million dollars." Am I right?	19	A. I don't recall the work paper. I
20	A. That's what it says. 11:14:21	20	recall generally us talking about how we needed 11:16:47
21	Q. Can you put that to the side but	21	to document our understanding of the two
22	fold it over so that the second page stays in	22	reserves. I don't know what that played out,
23	the same place?	23	though, to the individual work papers.
24	I'm now handing you what we've	24	Q Did you ask someone, Miss Frazier,
25	marked as Exhibit 4123 on another day. Again, 11:14:37	25	to take the words "for DV A/R" out of this work 11:16:59
	Page 631	<b> </b>	Page 63
1	this is a C&L fiscal year '97 work paper?	1	paper?
2	A. Yes	2	A. No.
3	Q. For the City Avenue Hospital	3	Q Do you know if someone else did?
4	opening balance sheet?		A CONTRACTOR OF
_		4	MR. RYAN: Objection.
5	A. Okay 11:14:57	5	A. There's different what, take 11:17:12
5 6	A. Okay 11:14:57 Q Is that yes?	1	
		5	A. There's different what, take 11:17:12
6	Q Is that yes?	5	A. There's different what, take 11:17:12 MR. RYAN: Are you asking whether
6 7	Q Is that yes? A. Yes.	5 6 7	A. There's different what, take 11:17:12  MR.RYAN: Are you asking whether somebody directed it to happen or that somebody
6 7 8 9	Q Is that yes? A. Yes. Q. I would like you to skip to the	5 6 7 8	A. There's different what, take 11:17:12  MR. RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your
6 7 8 9	Q Is that yes? A. Yes. Q. I would like you to skip to the second page again and to the place where the	5 6 7 8 9	A. There's different — what, take — 11:17:12  MR. RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.
6 7 8 9 10	Q Is that yes? A. Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07	5 6 7 8 9	A. There's different what, take 11:17:12  MR.RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22
6 7 8 9 10 11	Q Is that yes? A. Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07  Are you there?	5 6 7 8 9 10	A. There's different what, take 11:17:12  MR.RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR.JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think
6 7 8 9 10 11 12	Q Is that yes? A Yes. Q I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07  Are you there? A Yes Q I'm going to tell you what I think	5 6 7 8 9 10 11	A. There's different what, take 11:17:12  MR.RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think clearly there's words that have been removed.
6 7 8 9 10 11 12 13	Q Is that yes? A. Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07  Are you there? A. Yes Q. I'm going to tell you what I think	5 6 7 8 9 10 11 12 13	A. There's different what, take 11:17:12  MR. RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think clearly there's words that have been removed. We've established that.
6 7 8 9 10 11 12 13 14	Q Is that yes? A Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07 Are you there? A Yes Q I'm going to tell you what I think to be true, that this is a version of the	5 6 7 8 9 10 11 12 13	A. There's different what, take 11:17:12  MR. RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think clearly there's words that have been removed. We've established that.  Q. The words have been removed, am I
6 7 8 9 10 11 12 13 14 15 16	Q Is that yes? A Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07 Are you there? A Yes Q I'm going to tell you what I think to be true, that this is a version of the document taken from whatever the final CLASS 11:15:21 database would have printed for us.	5 6 7 8 9 10 11 12 13 14 15	A. There's different what, take 11:17:12  MR. RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think clearly there's words that have been removed.  We've established that.  Q. The words have been removed, am I right? 11:17:29
6 7 8 9 10 11 12 13 14 15 16 17	Q Is that yes? A Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07 Are you there? A Yes Q I'm going to tell you what I think to be true, that this is a version of the document taken from whatever the final CLASS 11:15:21 database would have printed for us. A. M-hm.	5 6 7 8 9 10 11 12 13 14 15 16	A. There's different — what, take — 11:17:12  MR.RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think clearly there's words that have been removed. We've established that.  Q. The words have been removed, am I right? 11:17:29  A. Yes, they are removed.
6 7 8 9 10 11 12 13 14 15 16 17 18	Q Is that yes? A Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07 Are you there? A Yes Q I'm going to tell you what I think to be true, that this is a version of the document taken from whatever the final CLASS 11:15:21 database would have printed for us. A M-hm. Q. Do you see there that the language	5 6 7 8 9 10 11 12 13 14 15 16 17	A. There's different — what, take — 11:17:12  MR. RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think clearly there's words that have been removed.  We've established that.  Q. The words have been removed, am I right? 11:17:29  A. Yes, they are removed.  Q. My question is, did you ever learn from any source that someone on the C&L
6 7 8 9 10 11 12 13 14 15 16 17 18	Q Is that yes? A Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07  Are you there? A Yes Q I'm going to tell you what I think to be true, that this is a version of the document taken from whatever the final CLASS 11:15:21 database would have printed for us. A. M-hm. Q. Do you see there that the language is different under the purchase price	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	A. There's different what, take 11:17:12  MR. RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think clearly there's words that have been removed. We've established that.  Q. The words have been removed, am I right? 11:17:29  A. Yes, they are removed.  Q. My question is, did you ever learn from any source that someone on the C&L engagement team told somebody else on the C&L
6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	Q Is that yes? A Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07 Are you there? A Yes Q I'm going to tell you what I think to be true, that this is a version of the document taken from whatever the final CLASS 11:15:21 database would have printed for us. A. M-hm. Q. Do you see there that the language is different under the purchase price adjustments for the 8 million dollar entry than 11:15:38	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. There's different — what, take — 11:17:12  MR. RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think clearly there's words that have been removed. We've established that.  Q. The words have been removed, am I right? 11:17:29  A. Yes, they are removed. Q. My question is, did you ever learn from any source that someone on the C&L engagement team told somebody else on the C&L engagement team to take out those words, "for 11:17:3
6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Q Is that yes? A Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07 Are you there? A Yes Q I'm going to tell you what I think to be true, that this is a version of the document taken from whatever the final CLASS 11:15:21 database would have printed for us. A. M-hm. Q. Do you see there that the language is different under the purchase price adjustments for the 8 million dollar entry than 11:15:38 it is in Exhibit 4124?	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. There's different — what, take — 11:17:12  MR. RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think clearly there's words that have been removed. We've established that.  Q. The words have been removed, am I right? 11:17:29  A. Yes, they are removed. Q. My question is, did you ever learn from any source that someone on the C&L engagement team to take out those words, "for 11:17:3 DV A/R" in the final CLASS database?
6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q Is that yes? A Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07 Are you there? A Yes Q I'm going to tell you what I think to be true, that this is a version of the document taken from whatever the final CLASS 11:15:21 database would have printed for us. A. M-hm. Q. Do you see there that the language is different under the purchase price adjustments for the 8 million dollar entry than 11:15:38 it is in Exhibit 4124? A. Yes, the words are different	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. There's different — what, take — 11:17:12  MR. RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think clearly there's words that have been removed. We've established that.  Q. The words have been removed, am I right? 11:17:29  A. Yes, they are removed.  Q. My question is, did you ever learn from any source that someone on the C&L engagement team to take out those words, "for 11:17:3  DV A/R" in the final CLASS database?  A. I don't recall. I just recall the
6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	Q Is that yes? A Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07  Are you there? A Yes Q I'm going to tell you what I think to be true, that this is a version of the document taken from whatever the final CLASS 11:15:21 database would have printed for us. A M-hm. Q Do you see there that the language is different under the purchase price adjustments for the 8 million dollar entry than 11:15:38 it is in Exhibit 4124? A. Yes, the words are different Q. On 4124, from the draft version or	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	A. There's different what, take 11:17:12  MR. RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think clearly there's words that have been removed.  We've established that.  Q. The words have been removed, am I right? 11:17:29  A. Yes, they are removed.  Q. My question is, did you ever learn from any source that someone on the C&L engagement team told somebody else on the C&L engagement team to take out those words, "for 11:17:3  DV A/R" in the final CLASS database?  A. I don't recall. I just recall the general conversation of understanding
6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q Is that yes? A Yes. Q. I would like you to skip to the second page again and to the place where the box reads, "Purchase price adjustments again." 11:15:07 Are you there? A Yes Q I'm going to tell you what I think to be true, that this is a version of the document taken from whatever the final CLASS 11:15:21 database would have printed for us. A. M-hm. Q. Do you see there that the language is different under the purchase price adjustments for the 8 million dollar entry than 11:15:38 it is in Exhibit 4124? A. Yes, the words are different Q. On 4124, from the draft version or the earlier version of CLASS, the line reads,	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. There's different what, take 11:17:12  MR. RYAN: Are you asking whether somebody directed it to happen or that somebody removed the words? It's ambiguity, your question.  MR. JONES: I'm sorry, I don't 11:17:22 think there's any ambiguity because I think clearly there's words that have been removed. We've established that.  Q. The words have been removed, am I right? 11:17:29  A. Yes, they are removed.  Q. My question is, did you ever learn from any source that someone on the C&L engagement team to take out those words, "for 11:17:3  DV A/R" in the final CLASS database?  A. I don't recall. I just recall the

24 (Pages 630 to 633)

	ny Frazier		Volume 3
	Page 634		Day 626
1	Q Your testimony is you don't recall	1	Page 636 A. I recall generally the preparation
2	ever knowing that someone gave that	2	of the required communications letter and
3	instruction, is that right?	3	whether or not there are any matters for the
4	A. That's correct.	4	work that we had done throughout the course of
5	Q Do you know who took the words out, 11:18:07	5	the audit on married at the same of
6	as you sit here today?	6	not we should include anything in that letter
7	A. No.	7	in my discussions with Mr. Buettner.
8	Q. To your knowledge, did anyone at	8	Q. My question is a little more
9	C&L ever tell anyone on the Board of Trustees	9	specific. Maybe you've answered it, but I want
10	of AHERF, the Audit Committee members or 11:18:37	10	to make muss because to
11	anybody else, about the Graduate reserve	11	qualified it a little.
12	transfers, as we've discussed them so far this	12	
13	morning, during fiscal year 1997 audit work or	13	Do you recall discussing with
14	at the end of the fiscal year 1997 audit work?	14	Mr. Buettner then the 50 million dollar reserve
15	MR RYAN: Objection 11:18:57	1	transfers in connection with whether they
16	THE WITNESS: I'm sorry, can you	15	should be included in the required 11:21:31
17	repeat or reread?	16 17	communications letter to the board?
18	Q Let me try to get rid of one of the	1	A I recall it as a broad discussion,
19	objections, I believe	18	which included a number of topics. I don't
20	v	19	recall any of the topics individually
21	Did you ever learn that anybody at 11:19:23  C&L ever told anybody on the AHERF Board of	20	Q. You don't recall then discussing 11:21:44
22	Trustees about the 50 million dollars of	21	the 50 million dollar reserve transfers with
23	reserve transfers we've been discussing this	22	Mr. Buettner as a proposed item to be included
24		23	in the required communication letter?
25	morning from Graduate to the Delaware Valley	24	A. I don't recall.
	Obligated Group before the financial statements 11:19:37	25	Q. Do you recall any discussions with 11:22:08
ı	Page 635		Page 637
1	for fiscal year '97 were finalized?	1	anyone at AHERF I'm sorry, that was too fast
		•	any one art at large and soft v. that was 100 fast
2	A I don't recall	2	and the wrong words
2 3	Q That may have happened, you just	l	and the wrong words.
	Q That may have happened, you just don't recall it?	2	and the wrong words.  Do you recall any discussions with
3	Q That may have happened, you just don't recall it?  A. Yeah, I just don't recall if I had 11:19:48	2	Do you recall any discussions with anyone on the C&L engagement team about
3 4	Q That may have happened, you just don't recall it?  A. Yeah, I just don't recall if I had 11:19:48 a discussion with anyone to know if it did or	2 3 4	and the wrong words  Do you recall any discussions with anyone on the C&L engagement team about including the 50 million dollar reserve 11:22:20
3 4 5	Q That may have happened, you just don't recall it?  A. Yeah, I just don't recall if I had 11:19:48 a discussion with anyone to know if it did or didn't.	2 3 4 5	and the wrong words  Do you recall any discussions with anyone on the C&L engagement team about including the 50 million dollar reserve 11:22:20 transfers on the C&L SUD for fiscal year 1997?
3 4 5 6	Q That may have happened, you just don't recall it?  A Yeah, I just don't recall if I had 11:19:48 a discussion with anyone to know if it did or didn't.  Q Do you recall any discussions with	2 3 4 5 6	and the wrong words.  Do you recall any discussions with anyone on the C&L engagement team about including the 50 million dollar reserve 11:22:20 transfers on the C&L SUD for fiscal year 1997?  A. Yes.
3 4 5 6 7	Q That may have happened, you just don't recall it?  A. Yeah, I just don't recall if I had 11:19:48 a discussion with anyone to know if it did or didn't.  Q. Do you recall any discussions with anyone on the C&L engagement team about whether	2 3 4 5 6 7	and the wrong words  Do you recall any discussions with anyone on the C&L engagement team about including the 50 million dollar reserve 11:22:20 transfers on the C&L SUD for fiscal year 1997?  A. Yes
3 4 5 6 7 8	Q That may have happened, you just don't recall it?  A Yeah, I just don't recall if I had 11:19:48 a discussion with anyone to know if it did or didn't.  Q Do you recall any discussions with	2 3 4 5 6 7 8	and the wrong words.  Do you recall any discussions with anyone on the C&L engagement team about including the 50 million dollar reserve 11:22:20 transfers on the C&L SUD for fiscal year 1997?  A. Yes.  Q. With whom did you have those discussions?
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3 4 5 6 7 8 9	Q That may have happened, you just don't recall it?  A. Yeah, I just don't recall if I had 11:19:48 a discussion with anyone to know if it did or didn't.  Q. Do you recall any discussions with anyone on the C&L engagement team about whether the fact of those reserve transfers should be 11:19:57	2 3 4 5 6 7 8 9 10	and the wrong words.  Do you recall any discussions with anyone on the C&L engagement team about including the 50 million dollar reserve 11:22:20 transfers on the C&L SUD for fiscal year 1997?  A. Yes.  Q. With whom did you have those discussions?  A. Mr. Buettner, at least I don't 11:22:30 know if there were others.
3 4 5 6 7 8 9 10	Q That may have happened, you just don't recall it?  A. Yeah, I just don't recall if I had 11:19:48 a discussion with anyone to know if it did or didn't.  Q Do you recall any discussions with anyone on the C&L engagement team about whether the fact of those reserve transfers should be 11:19:57 disclosed to anyone on the AHERF Board of	2 3 4 5 6 7 8 9 10 11	and the wrong words.  Do you recall any discussions with anyone on the C&L engagement team about including the 50 million dollar reserve 11:22:20 transfers on the C&L SUD for fiscal year 1997?  A. Yes.  Q. With whom did you have those discussions?  A. Mr. Buettner, at least. I don't 11:22:30 know if there were others.  Q. We'll come back and talk about that
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18	Q That may have happened, you just don't recall it?  A. Yeah, I just don't recall if I had 11:19:48 a discussion with anyone to know if it did or didn't.  Q. Do you recall any discussions with anyone on the C&L engagement team about whether the fact of those reserve transfers should be 11:19:57 disclosed to anyone on the AHERF Board of Trustees?  A. I don't recall.  Q. Do you recall any discussions with anyone at AHERF about whether the fact of those 11:20:14 reserve transfers should be disclosed to anyone on the Board of Trustees?  A. I don't recall.  Q. Do you recall whether any	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19	and the wrong words.  Do you recall any discussions with anyone on the C&L engagement team about including the 50 million dollar reserve 11:22:20 transfers on the C&L SUD for fiscal year 1997?  A. Yes.  Q. With whom did you have those discussions?  A. Mr. Buettner, at least. I don't 11:22:30 know if there were others.  Q. We'll come back and talk about that after we change tapes.  THE VIDEOGRAPHER: Off the record at 11:23.  (Recess had.)  (Thereupon, Deposition Exhibit 4438 was marked for purposes of
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	Q That may have happened, you just don't recall it?  A. Yeah, I just don't recall if I had 11:19:48 a discussion with anyone to know if it did or didn't.  Q. Do you recall any discussions with anyone on the C&L engagement team about whether the fact of those reserve transfers should be 11:19:57 disclosed to anyone on the AHERF Board of Trustees?  A. I don't recall  Q. Do you recall any discussions with anyone at AHERF about whether the fact of those 11:20:14 reserve transfers should be disclosed to anyone on the Board of Trustees?  A. I don't recall  Q. Do you recall whether the fact of those 11:20:33 of those reserve transfers should be included	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	and the wrong words.  Do you recall any discussions with anyone on the C&L engagement team about including the 50 million dollar reserve 11:22:20 transfers on the C&L SUD for fiscal year 1997?  A. Yes.  Q. With whom did you have those discussions?  A. Mr. Buettner, at least I don't 11:22:30 know if there were others.  Q. We'll come back and talk about that after we change tapes.  IHE VIDEOGRAPHER: Off the record at 11:23.  (Recess had.)  (Thereupon, Deposition Exhibit 4438 was marked for purposes of identification.)
3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	Q That may have happened, you just don't recall it?  A. Yeah, I just don't recall if I had 11:19:48 a discussion with anyone to know if it did or didn't.  Q Do you recall any discussions with anyone on the C&L engagement team about whether the fact of those reserve transfers should be 11:19:57 disclosed to anyone on the AHERF Board of Trustees?  A I don't recall  Q Do you recall any discussions with anyone at AHERF about whether the fact of those 11:20:14 reserve transfers should be disclosed to anyone on the Board of Trustees?  A I don't recall  Q. Do you recall whether any discussions with anyone about whether the fact 11:20:33 of those reserve transfers should be included in the required communications letter for	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	and the wrong words.  Do you recall any discussions with anyone on the C&L engagement team about including the 50 million dollar reserve 11:22:20 transfers on the C&L SUD for fiscal year 1997?  A. Yes.  Q. With whom did you have those discussions?  A. Mr. Buettner, at least I don't 11:22:30 know if there were others.  Q. We'll come back and talk about that after we change tapes.  IHE VIDEOGRAPHER: Off the record at 11:23.  (Recess had.)  (Thereupon, Deposition Exhibit 4438 was marked for purposes of identification.)  IHE VIDEOGRAPHER: Back on the
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3 4 5 6 7 8 9 10 11 12 13 14 15 16 17	Q That may have happened, you just don't recall it?  A. Yeah, I just don't recall if I had 11:19:48 a discussion with anyone to know if it did or didn't.  Q Do you recall any discussions with anyone on the C&L engagement team about whether the fact of those reserve transfers should be 11:19:57 disclosed to anyone on the AHERF Board of Trustees?  A I don't recall  Q Do you recall any discussions with anyone at AHERF about whether the fact of those 11:20:14 reserve transfers should be disclosed to anyone on the Board of Trustees?  A I don't recall  Q. Do you recall whether any discussions with anyone about whether the fact 11:20:33 of those reserve transfers should be included in the required communications letter for	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	and the wrong words.  Do you recall any discussions with anyone on the C&L engagement team about including the 50 million dollar reserve 11:22:20 transfers on the C&L SUD for fiscal year 1997?  A. Yes.  Q. With whom did you have those discussions?  A. Mr. Buettner, at least I don't 11:22:30 know if there were others.  Q. We'll come back and talk about that after we change tapes.  IHE VIDEOGRAPHER: Off the record at 11:23.  (Recess had.)  (Thereupon, Deposition Exhibit 4438 was marked for purposes of identification.)  IHE VIDEOGRAPHER: Back on the

25 (Pages 634 to 637)

	Page 638		Page 640
	referred to shortly before we broke and a		represent weaknesses in AHERF's" - "AHERF's
2	document about which I will have a few		financial reporting process which could
3	questions for you now		naterially misstate future financial
4	Do you recognize this as the		statements."
5	September 22nd, 1997 required communications 11:39:52	5	Did I read that accurately? 11:42:04
6	letter from Coopers & Lybrand to the board of	6	A Yes
7	trustees of AHERF?	7	Q. Having had a chance to look at that
8	A. I don't dispute the date. I recall		with me, does that refresh your recollection
9	it as the required communications letter, yes,		about whether you and Mr. Buettner, or anyone
0	for the 1997 audit 11:40:13		else on the C&L engagement team, talked about 11:42:14
1	Q The date is on the upper right-hand		whether or not to include the Graduate reserve
2	comer of the first page, is that right?		transfer entries we've been discussing this
3	A Correct		morning in this letter?
14	Q. I read the date right?	14	A No.
5	A. Correct. 11:40:20	15	Q Do you see the next portion of the 11:42:26
16	Q Did you draft this letter?		document, it's headed Disagreements With
7	A I don't recall		Management? Do you see that?
18	Q If I told you that we have been	18	A Yes.
19	produced — or that a draft of this letter has	19	Q It says, beneath it it says
20	been produced to us with a designation from 11:40:40		beneath it, "No disagreements with management 11:42:3
21	counsel that it came from your computer files,		arose during the audit with respect to: One,
22	would that refresh your recollection that you		the application of accounting principles to
23	drafted this letter?		specific transactions; two, judgments related
24 25	A No Q. Do you recall drafting required 11:40:53		to accounting estimates; three, scope of the audit; four, disclosures to be included in the 11:42:58
i	Page 639 communications letters from Coopers & Lybrand	ì	Page 64
- )	to the AUCDE Doged of Trustops in any fixed		financial statements or; five, the wording of
2	to the AHERF Board of Trustees in any fiscal	2	our report."
3	year or for any fiscal year?	2 3	our report."  Do you see that?
3 4	year or for any fiscal year?  A. Yes.	2 3 4	our report."  Do you see that?  A. Yes.
3 4 5	year or for any fiscal year?  A. Yes  Q. Was that your routine when you 11:41:06	2 3 4 5	our report."  Do you see that?  A. Yes.  Q. Reading that now, does that refresh 11:43:0
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26 (Pages 638 to 641)

	Page 638	Page 640
I	referred to shortly before we broke and a	1 represent weaknesses in AHERF's" "AHERF's
2	document about which I will have a few	2 financial reporting process which could
3	questions for you now.	3 materially misstate future financial
4	Do you recognize this as the	4 statements."
5	September 22nd, 1997 required communications 11:39:52	5 Did I read that accurately? 11:42:04
6	letter from Coopers & Lybrand to the board of	6 A. Yes.
7	trustees of AHERF?	7 Q Having had a chance to look at that
8	A. I don't dispute the date. I recall	8 with me, does that refresh your recollection
9	it as the required communications letter, yes,	9 about whether you and Mr. Buettner, or anyone
10	for the 1997 audit. 11:40:13	10 else on the C&L engagement team, talked about 11:42:14
11	Q. The date is on the upper right-hand	11 whether or not to include the Graduate reserve
12	corner of the first page, is that right?	12 transfer entries we've been discussing this
13	A. Correct.	13 morning in this letter?
14	Q. I read the date right?	14 A. No.
15	A. Correct 11:40:20	15 Q Do you see the next portion of the 11:42:26
16	Q Did you draft this letter?	16 document, it's headed Disagreements With
17	A. I don't recall.	17 Management? Do you see that?
18	Q If I told you that we have been	18 A Yes
19	produced or that a draft of this letter has	19 Q. It says, beneath it it says
20	been produced to us with a designation from 11:40:40	20 beneath it, "No disagreements with management 11:42:33
21	counsel that it came from your computer files,	21 arose during the audit with respect to: One,
22	would that refresh your recollection that you	22 the application of accounting principles to
23	drafted this letter?	23 specific transactions; two, judgments related
24	A No.	24 to accounting estimates; three, scope of the
25	Q Do you recall drafting required 11:40:53	25 audit; four, disclosures to be included in the 11:42:58
1 2	communications letters from Coopers & Lybrand to the AHERF Board of Trustees in any fiscal	1 financial statements or; five, the wording of
		2 our report."
3	year or for any fiscal year?	3 Do you see that?
3 4	year or for any fiscal year?  A Yes.	3 Do you see that? 4 A Yes.
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	y Frazier		Volume
1	Page 642		Page 64
2	You told them to reverse it. You	1	Q Do you recall anything more about
3	told them they were stupid and they didn't	2	and Mi Bucinel
4	reverse them. Do you believe that that	3	on this topic?
5	constitutes a disagreement?	4	The totally Thealt, Goviously it's
6	MR. RYAN: Objection 11:44:18  A. It constitutes that we have a	5	been a while. 11:46:59
7		6	Q. Did you agree - did the two of you
8	difference of opinion, it's bad bookkeeping,	7	agree with that conclusion?
9	bookkeeping entries.	8	A. Yes.
10	Q Do you recall any discussions with	9	Q. So you and Mr. Buettner agreed that
11	Mr. Buettner, or anyone else on the engagement 11:44:36	10	of that Occ. Would not plit on 11:47:12
12	team, for fiscal year 1997 about whether or not	11	the SUD the 50 million dollar reserve
13	the Graduate reserve transfers in the 50	12	transfers, is that right?
	million dollar amount, that you tell us you	13	A. We discussed that it was not
14 15	were knowledgeable of, should be disclosed to	14	necessary to include it.
	the Audit Committee or the AHERF Board of 11:44:55	15	Q. I know that. I know you've said 11:47:23
16	Trustees in some way other than through the	16	that. My question is, did you have any
17	required communications letter?	17	difference of opinion with Mr. Buettner on the
18	A. I don't recall.	18	topic?
19	Q. Did you ever become concerned	19	A. No. It was kind of a collaborative
20	yourself personally that such a disclosure 11:45:15	20	discussion to understand what the impact was to 11:47:36
21	should have been made either in the required	21	the financial statements and whether or not it
22	communications letter, orally, or in some other	22	needed to be included.
23	fashion?	23	Q. Did you ever talk with anybody
24 25	A I'm not sure, again, to your	24	besides Mr. Buettner about whether that was the
23	reference to concerned 11:45:19	25	right judgment, to exclude the transfers from 11:47:47
I	Page 643 I'm not aware of anything that at	<b>-</b> -	Page 645
2	the end of the day that I thought wasn't	2	the SUD or to exclude the mention of the
3	disclosed that should have been		transfers from the SUD?
		2	
4	Q. Did you ever do you have reason	3	MR RYAN: Objection.
4 5	Q. Did you ever do you have reason to believe that the board ever learned about 11:45-21	4	MR RYAN: Objection  A. I don't recall in the context of
5	to believe that the board ever learned about 11:45:31	4 5	MR RYAN: Objection  A. I don't recall in the context of the SUD those discussions. 11:48:02
5	to believe that the board ever learned about 11:45:31 the Graduate reserve transfers in the amount of	4 5 6	MR RYAN: Objection  A. I don't recall in the context of the SUD those discussions. 11:48:02  Q. Do you recall some other context in
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5 6 7 8 9	to believe that the board ever learned about 11:45:31 the Graduate reserve transfers in the amount of 50 million dollars in connection with your '97 audit work?  A. I don't know if they were or not	4 5 6 7 8 9	MR RYAN: Objection  A. I don't recall in the context of the SUD those discussions. 11:48:02  Q. Do you recall some other context in which excluding mention of the transfers was part of a communication between you and anyone?  MR RYAN: Objection.
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27 (Pages 642 to 645)

	y Frazier		Volume
,	Page 642		Page 64
1 2	You told them to reverse it. You	1	Q Do you recall anything more about
3	told them they were stupid and they didn't	2	and the Buetmer
4	reverse them. Do you believe that that	3	on this topic?
5	constitutes a disagreement?	4	The really, Thican, obviously it's
6	MR. RYAN: Objection 11:44:18  A. It constitutes that we have a	5	been a while 11:46:59
7		6	Q. Did you agree — did the two of you
8	difference of opinion, it's bad bookkeeping, bookkeeping entries	7	agree with that conclusion?
9		8	A. Yes.
10	Q. Do you recall any discussions with	9	Q. So you and Mr. Buettner agreed that
11	Mr. Buettner, or anyone else on the engagement 11:44:36	10	11:47:12
12	team, for fiscal year 1997 about whether or not	11	the SUD the 50 million dollar reserve
13	the Graduate reserve transfers in the 50	12	
14	million dollar amount, that you tell us you	13	A. We discussed that it was not
!5	were knowledgeable of, should be disclosed to	14	to morade it
16	the Audit Committee or the AHERF Board of 11:44:55	15	Q. 1 know that. I know you've said 11:47:23
	Trustees in some way other than through the	16	men may question is, and you have any
17 18	required communications letter?	17	difference of opinion with Mr. Buettner on the
	A. I don't recall.	18	topic?
19	Q. Did you ever become concerned	19	A. No. It was kind of a collaborative
20 21	yourself personally that such a disclosure 11:45:15	20	discussion to understand what the impact was to 11:47:36
21 22	should have been made either in the required	21	the financial statements and whether or not it
22 23	communications letter, orally, or in some other fashion?	22	needed to be included
23 24		23	Q. Did you ever talk with anybody
24 25	A I'm not sure, again, to your	24	besides Mr. Buettner about whether that was the
	reference to concerned. 11:45:19	25	right judgment, to exclude the transfers from 11:47:47
i	Page 643 I'm not aware of anything that at		Page 645
2	the end of the day that I thought wasn't	2	the SUD or to exclude the mention of the
3	disclosed that should have been	3	transfers from the SUD?
4	Q. Did you ever do you have reason	4	MR RYAN: Objection
,,,,	- Juliani Juliani		
5	to believe that the board ever learned about 11.45.21	l '	A. I don't recall in the context of
-	to believe that the board ever learned about 11:45:31 the Graduate reserve transfers in the amount of	5	A. I don't recall in the context of the SUD those discussions 11:48:02
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6		5 6 7	A. I don't recall in the context of the SUD those discussions 11:48:02 Q. Do you recall some other context in which excluding mention of the transfers was
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27 (Pages 642 to 645)

11 What I want to know is, did you 12 ever discuss that with anyone? 13 A. I guess I'm struggling with your 14 question because you're assuming that there's a 15 failure. I'm saying I don't recall whether or 11:49:22 16 not I discussed it with, who I discussed or if 17 we discussed it, but I'm not agreeing that it's 18 a failure. 19 Q. Do you recall discussing with 20 anyone, whether a personal friend, a spouse, or 11:49:36 21 anyone, your discomfort or any discomfort you 22 had about not disclosing the Graduate reserve 23 transfers to the AHERF board? 24 MR. RYAN: Objection. 25 A. First of all, I don't know if they 11:49:52  Page 647  1 weren't disclosed.  11 talked about whether or not it was necessary to include them. 12 include them. 13 Q. I mean other than Mr. Buettner. 14 MR. RYAN: Objection. 15 A. I also said I don't recall if I had 11:5 other discussions regarding the SUD on that particular item. 18 Q. Do you recall ever seeing a draft version of the SUD in which the 50 million dollar reserve transfers were mentioned — on which the 50 million dollar reserve transfers were mentioned? 22 were mentioned? 23 A. I don't recall there being one. 24 — — — — — — — — (Thereupon, Deposition Exhibit 4439)	11:51:02 o
2 I want to know if you recall 3 discussing Coopers & Lybrand's failure to 4 disclose to the AHERF board the 50 million 5 dollar reserve transfers at any time? 11:49:00 6 MR. RYAN: Objection. 6 Graduate reserve transfers were not placed on 7 A. You're assuming there's a failure 8 Q. What I'm assuming isn't relevant to 9 Q. What I'm assuming isn't relevant to 10 my question 11:49:12 11 What I want to know is, did you 12 ever discuss that with anyone? 13 A. I guess I'm struggling with your 14 question because you're assuming that there's a 15 failure. I'm saying I don't recall whether or 11:49:22 16 not I discussed it with, who I discussed or if 17 we discussed it, but I'm not agreeing that it's 18 a failure. 19 Q. Do you recall discussing with 20 anyone, whether a personal friend, a spouse, or 11:49:36 21 anyone, gour discomfort over the fact that the 19 Q. Do you recall discussed or if 10 think I've testified that Mr. Buettner and I 11 talked about whether or not it was necessary to include them. 12 include them. 13 Q. I mean other than Mr. Buettner and I 14 MR. RYAN: Objection 11:49:22 15 A. I also said I don't recall if I had 11:5 other discussions regarding the SUD on that 11:49:36 21 anyone, isocomfort over the fact that the Graduate reserve transfers were not placed on C&L's SUD for fiscal year '97? 22 transfers to the AHERF board? 11:49:36 23 A. I mot sure I know what you mean by discomfort. I never had discomfort because include them. 12 alked about whether or not it was necessary to include them. 13 Q. I mean other than Mr. Buettner and I talked about whether or not it was necessary to include them. 14 A. I also said I don't recall if I had 11:5 other discussions regarding the SUD on that 19 version of the SUD in which the 50 million dollar reserve transfers were mentioned? 20 which the 50 million dollar reserve transfers were mentioned? 21 A. I don't know if they 11:49:52 (Thereupon, Deposition Exhibit 4439)  1 weren't disclosed. 11:49:52 (Thereupon, Deposition Exhibit 4439)	e 11:51:02 o
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Page 647  I weren't disclosed.  Page 647  I was marked for purposes of	
I weren't disclosed. 1 was marked for purposes of	
I weren't disclosed. 1 was marked for purposes of	Page 649
	-
2 Q. I want you to assume they were not 2 identification.)	
3 until at least 1998. 3	
4 MR RYAN: You're asking her to 4 Q. We've just marked, Miss Frazier,	
5 testify as to what she remembers actually 11:50:03 5 Exhibit 4439 I'm going to ask you to take a	11:52:42
6 feeling something about a fact you're asking 6 few moments to take a look at the exhibit and	
7 her to assume? 7 ask then I'll ask you if you've ever seen it	
8 MR. JONES: No, that's not what I'm 8 before	
9 asking her at all. 9 A. I don't recall in this sequential	
MR. RYAN: I'm confused. 11:50:09 10 order. I recall some of them in a subsequent	11:53:23
11 MR JONES: I'm sorry you're 11 event binder	
12 confused My question was, does she recall 12 Q. Which pages do you recall appearing	[
13 having a conversation with anyone, a personal 13 in a subsequent event binder?	
14 friend, anyone, about discomfort over, personal 14 A. Just generally the format and	
15 discomfort over not disclosing the Graduate 11:50:19 15 putting the subsequent event binder together	11:53:3
16 reserve transfers to the AHERF board.  16 and that there was an index in the front of the	
17 MR. RYAN: Objection 17 sections.	
18 A. I guess two points. I don't know 18 Q. So some of these documents may have	ve
19 that they weren't disclosed. 19 appeared there, it is your view?	, 5
20 Q. I've asked you to assume that they 11:50:30 20 A. Yes. 11:53:45	
· · · · · · · · · · · · · · · · · · ·	
22 A. And, secondly, I don't talk about 23 client matters to friends. 24 the the subsequent events binder to which 25 vou refer was for the '97 audit?	
1 ,	
24 Q. So you don't recall such a  24 A. Yes.  25 conversation?  26 D. I'm going to ask you to look now at	
25 conversation? 11:50:41 25 Q. I'm going to ask you to look now at	11:53:57

<u> </u>	Page 674	·····	Paga 676
1	Page 674 on page 87?	1	Page 676 the '97 field work?
2	A. Sometime during year-end field work	2	A. I don't know if he reviewed the
3	for 1997.	3	pages, but we talked about the content during
4	Q. Do you know with any more precision	4	the 1997 field work.
5	than that? 13:15:47	5	Q. Did you give him the pages so that 13:18:22
6	A. No.	6	he could read them if he chose to?
7	Q. Do you know when you wrote the	7	A. I don't recall
8	handwritten notes in the during that	8	Q. So you don't know whether he laid
9	appear through the balance of the document?	9	eyes on these pages or not, is that fair to
10	A. I would say sometime during 13:16:05	10	say? 13:18:31
11	year-end field work of 1997	11	A. I just don't recall.
12	Q. Did you create those notes close in	12	Q. Did you use Mr Cancelmi's memo to
13	time with the schedule and the handwritten	13	help prepare the analysis?
14	notes on 25987?	14	A. I just want to back up. As I was
15	***************************************	15	looking, when you were referencing before as 13:18:51
16	A. I recall the majority of them being 13:16:19 before, but close in time	16	far as your question with Mr. Buettner, were
17	Q. The majority of the notes that	17	you referring to just can we clarify if it
18	appear at pages 25989, 25989 through 92 were	18	was just these two pages?
19	prepared shortly before this schedule on 25986	19	Q. I meant just those two pages.
20	and 87, is that right? 13:16:41	20	A. Okay. 13:19:00
21	A. Correct.	21	MR. RYAN: 86 and 87?
22	Q Does this spreadsheet and its tick	22	MR. JONES: Yes
23	mark notes, that is the 25986 and 25987 pages	23	A. Okay.
24	of Exhibit 4444, reflect an attempt on your	24	Q. Did you share some other portion of
25	part to determine whether the 50 million dollar 13:17:10	25	the document with him, though? 13:19:07
	part to determine whealer the 50 minion donar 15.17.10		the document wat thin, modgi.
	Page 675		Page 677
1	reserve entries that we've been discussing	1	A. I recall providing him 88, the
2	today resulted in a material misstatement of	2	information, the schedule in the meeting.
3	the AHERF consolidated financial statements?	3	Q. When did you provide him page
4	MR RYAN: Objection	4	25988?
5	A. Not just that. I mean, there was a 13:17:29	5	A. Sometime during the year-end field 13:19:18
6	lot of effort and a lot of reasons for	6	work, shortly after I received it I just
7	preparing this	7	don't know when exactly.
8	Q. Does it serve that purpose, though,	8	Q. Do you know when you received it?
9	among others?	9	A. Sometime during August of '97.
10	MR. RYAN: Objection 13:17:39	10	Q My question then thank you 13:19:30
11	A Does this analysis it serves	11	A. I'm sorry.
12		12	Q. That's fine.
13	information in making that assessment	13	My question was, did you refer to
14	•	14	or use Mr. Cancelmi's June 20, 1997 memo, which
15	anyone? 13:17:53	15	is the first two pages of our exhibit, in 13:19:41
16		16	preparing your affiliation analysis, which are
17	the content of the analysis?	17	the following two pages of the exhibit?
18	MR JONES: The document	18	A. That was one source of information
19	A. I don't recall. It was available	19	that was used, yes.
20	in the work papers 13:18:06	20	Q. Do you recall the other any 13:19:52
21	Q. Do you recall presenting this	21	other sources?
22	analysis to Mr Buettner and discussing it with	22	A. The following work paper Bates
23	him?	23	numbered 25988 was also a source, as well as
24	A. Yes	24	really through the end of the document. And
25	Q. So he reviewed it at some time in 13:18:14	25	then I know there were other sources that I 13:20:17
1		<u></u>	35 (Pages 674 to 677

	Page 678	_	Page 680
1	looked to for Forbes and AVH related to their	1	might be for.
2	acquisition work papers, which are not related	2	Q Might be used for?
3	to that first two pages or the latter part of	3	A Or needed for.
4	this document.	4	Q. Which part of this analysis served
5	I referred to the trial balance for 13:20:35	5	the purpose of providing you, or any member of 13:22:57
6	good will, something, AHERF financial something	6	the engagement team, comfort about whether or
7	to get that number.	7	not the Graduate reserve transfers resulted in
8	Q. I notice that Mr. Cancelmi has the	8	a material misstatement of the balance sheet at
9	line item in his memo of June 20 that caused	9	AHERF for fiscal year '97?
10	you to question him about, in your field work. 13:20:52	10	A. I'm sorry, can that be read back? 13:23:12
11	The line reads, "Bad debt reserves for DV A/R"	11	Q. Sure.
12	and the total of 50 million. We saw that a few	12	(Record read.)
13	moments ago.	13	A. I don't know that it's referring to
14	A. Yes.	14	the actual transfer, but it's evaluating
15	Q. And then on your then on your 13:21:05	15	whether or not the purpose of the 50 million 13:23:39
16	schedule, you have written the word "general	16	being established at Graduate was needed, and
17	reserves" with some of the same dollar entries,	17	that was being done through the analysis on
18	at least the same constituent dollar entries.	18	25987.
19	Is that fair?	19	Q. That's the handwritten analysis at
20	MR. RYAN: Objection. 13:21:24	20	the base of the page? 13:23:55
21	A. There are dollar amounts that agree	21	A. That's part of it, yes.
22	at least for those entities that correspond	22	Q. That handwritten analysis relates
23	with that on his memo, but there are obviously	23	to the line that we were just discussing on
24	others on that line item as well	24	25986 headed with the words Graduate general
25	Q Right, there is the Forbes and AVH 13:21:38	25	reserves. Is that right? 13:24:08
	Page 679		Page 68
1	entries, right?	1	A. It relates to the total on that
2	A Correct	2	line, yes.
3	Q. But the Graduate entries are the	3	Q. The total on that line is
4		1	
	same, are they not?	4	\$61,311,000, is that right?
5	A. Assuming that that was a five on 13:21:50	4 5	A. That's correct 13:24:19
		l	A. That's correct 13:24:19 Q. Which is the 50 million
5	A. Assuming that that was a five on 13:21:50	5	A. That's correct 13:24:19 Q. Which is the 50 million attributable to the Graduate hospitals plus the
5 6	A. Assuming that that was a five on 13:21:50 the first page of his memo. I just can't tell	5 6	A. That's correct 13:24:19 Q. Which is the 50 million attributable to the Graduate hospitals plus the balance you've got there attributable to the
5 6 7	A. Assuming that that was a five on 13:21:50 the first page of his memo. I just can't tell on this copy, but yes. Q. Why did you retitle the row? A. Because we did not agree that the	5 6 7	A. That's correct 13:24:19 Q. Which is the 50 million attributable to the Graduate hospitals plus the balance you've got there attributable to the Forbes and the AVH hospitals, is that right?
5 6 7 8	A. Assuming that that was a five on 13:21:50 the first page of his memo. I just can't tell on this copy, but yes. Q. Why did you retitle the row? A. Because we did not agree that the reserve was for DV A/R and that an assessment 13:22:05	5 6 7 8 9	A. That's correct 13:24:19 Q. Which is the 50 million attributable to the Graduate hospitals plus the balance you've got there attributable to the Forbes and the AVH hospitals, is that right? A. Correct 13:24:31
5 6 7 8 9	A. Assuming that that was a five on 13:21:50 the first page of his memo. I just can't tell on this copy, but yes.  Q. Why did you retitle the row? A. Because we did not agree that the reserve was for DV A/R and that an assessment 13:22:05 of whether or not those reserves were needed at	5 6 7 8 9	A. That's correct 13:24:19 Q. Which is the 50 million attributable to the Graduate hospitals plus the balance you've got there attributable to the Forbes and the AVH hospitals, is that right? A. Correct 13:24:31 Q. And that 61 million, therefore, has
5 6 7 8 9	A. Assuming that that was a five on 13:21:50 the first page of his memo. I just can't tell on this copy, but yes.  Q. Why did you retitle the row? A. Because we did not agree that the reserve was for DV A/R and that an assessment 13:22:05 of whether or not those reserves were needed at Graduate was, in part, the purpose of this work	5 6 7 8 9	A. That's correct 13:24:19 Q. Which is the 50 million attributable to the Graduate hospitals plus the balance you've got there attributable to the Forbes and the AVH hospitals, is that right? A. Correct 13:24:31 Q. And that 61 million, therefore, has a tick mark 61 plus million has a tick mark
5 6 7 8 9 10	A. Assuming that that was a five on 13:21:50 the first page of his memo. I just can't tell on this copy, but yes.  Q. Why did you retitle the row? A. Because we did not agree that the reserve was for DV A/R and that an assessment of whether or not those reserves were needed at Graduate was, in part, the purpose of this work paper. So they really were, at least	5 6 7 8 9 10 11 12 13	A. That's correct 13:24:19 Q. Which is the 50 million attributable to the Graduate hospitals plus the balance you've got there attributable to the Forbes and the AVH hospitals, is that right? A. Correct 13:24:31 Q. And that 61 million, therefore, has a tick mark 61 plus million has a tick mark B, which on page 25987 is described with these
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5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. Assuming that that was a five on 13:21:50 the first page of his memo. I just can't tell on this copy, but yes.  Q. Why did you retitle the row? A. Because we did not agree that the reserve was for DV A/R and that an assessment of whether or not those reserves were needed at Graduate was, in part, the purpose of this work paper. So they really were, at least initially, general reserves that needed to be evaluated.  13:22:28 Q. Didn't Mr. Cancelmi tell you in his memo what the reserves were for? MR. RYAN: Objection. Q. He says, "Bad debt reserves for DV A/R."  13:22:30	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. That's correct Q. Which is the 50 million attributable to the Graduate hospitals plus the balance you've got there attributable to the Forbes and the AVH hospitals, is that right? A. Correct 13:24:31 Q. And that 61 million, therefore, has a tick mark 61 plus million has a tick mark B, which on page 25987 is described with these words, "See cushion analysis below." Is that right? 13:24:46 A. Yes. Q. And the "below" is written in your handwriting? A. Yes Q. "See cushion analysis" is typed. 13:24:53
5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. Assuming that that was a five on 13:21:50 the first page of his memo. I just can't tell on this copy, but yes.  Q. Why did you retitle the row? A. Because we did not agree that the reserve was for DV A/R and that an assessment of whether or not those reserves were needed at Graduate was, in part, the purpose of this work paper. So they really were, at least initially, general reserves that needed to be evaluated.  13:22:28 Q. Didn't Mr. Cancelmi tell you in his memo what the reserves were for? MR. RYAN: Objection. Q. He says, "Bad debt reserves for DV A/R."  13:22:30 MR. RYAN: Objection.	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. That's correct Q. Which is the 50 million attributable to the Graduate hospitals plus the balance you've got there attributable to the Forbes and the AVH hospitals, is that right? A. Correct 13:24:31 Q. And that 61 million, therefore, has a tick mark 61 plus million has a tick mark B, which on page 25987 is described with these words, "See cushion analysis below." Is that right? 13:24:46 A. Yes. Q. And the "below" is written in your handwriting? A. Yes Q. "See cushion analysis" is typed. 13:24:53 A. Yes.
5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. Assuming that that was a five on 13:21:50 the first page of his memo. I just can't tell on this copy, but yes.  Q. Why did you retitle the row? A. Because we did not agree that the reserve was for DV A/R and that an assessment of whether or not those reserves were needed at Graduate was, in part, the purpose of this work paper. So they really were, at least initially, general reserves that needed to be evaluated.  Q. Didn't Mr. Cancelmi tell you in his memo what the reserves were for?  MR. RYAN: Objection.  Q. He says, "Bad debt reserves for DV A/R."  13:22:30  MR. RYAN: Objection.  A. There's a purpose that appears to	5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	A. That's correct Q. Which is the 50 million attributable to the Graduate hospitals plus the balance you've got there attributable to the Forbes and the AVH hospitals, is that right? A. Correct 13:24:31 Q. And that 61 million, therefore, has a tick mark 61 plus million has a tick mark B, which on page 25987 is described with these words, "See cushion analysis below." Is that right? 13:24:46 A. Yes. Q. And the "below" is written in your handwriting? A. Yes Q. "See cushion analysis" is typed. 13:24:53 A. Yes. Q. And then beneath that, can you tell

	1 idelet		
	Page 682		Page 68
1	have a last line of this cut off of this copy.	1	A. Yes.
2	MR. JONES: I apologize if I do.	2	Q. And what do you mean to refer to
3	MR RYAN: I'm just saying	3	when you write 25 million dollars in brackets
4	A There's definitely a piece of this	4	and follow it with those words? Or what did
5	that's not clear 13:25:15	5	you mean to refer to, I should say. 13:27:41
6	Q. Can you tell me generally what the	6	A. Well, the starting point is the 61
7	analysis is meant to reflect?	7	million, which would have been a reserve or a
8	A. It was to take the general reserve	8	credit balance. It was to identify items.
9	amount established during all of the	9	The reason that there are brackets
10	acquisitions and evaluate whether or not there 13:25:26	10	on the 25 million is to work through the 61 13:27:55
11	were purposes that should be considered as to	11	million down to what might be a remaining
12	whether or not it was reasonable for AHERF to	12	excess number. So the description generally
13	establish that reserve during the acquisitions	13	relates to corporate compliance issues that
14	Q. Did Mr. Cancelmi or anybody at	14	were existing in healthcare providers
15	AHERF tell you that they had established the 13:25:40	15	particularly in the Philadelphia marketplace 13:28:17
16	reserve for any purpose other than transfer to	16	and investigations by the government and that
17	the Graduate to the Delaware Valley	17	an assessment needed to be made as to whether
18	Obligated Group hospitals?	18	or not these acquired hospitals would have such
19	MR. RYAN: Could I have that read	19	compliance matters
20	back, please? 13:25:48	20	Q. Where did you get the 25 million 13:28:30
21	(Record read.)	21	dollar figure?
22	A. Yes.	22	A. It was an estimate that I had
23	Q. Who told you that?	23	discussed with Mr. Buettner
24	A. Mr. Cancelmi.	24	Q. So he gave it to you?
25	Q. What did he say? 13:26:04	25	MR. RYAN: Objection. 13:28:39
	Page 683		Page 68
1	A Back in the planning field work,	1	A. He didn't physically give it to me.
2	during our preliminary phase, that their intent	2	He discussed it and shared it as a possible
3	was to establish a reserve for things like	3	amount to consider in light of other situations
4	compliance matters and accounts payable and	4	that had been settling for comparable amounts.
5	physician contracts, essentially manpower or 13:26:23	_	
		5	Q. So who arrived at the figure? Did 13:28:58
6	people-related issues during an acquisition	6	Q. So who arrived at the figure? Did 13:28:58 you supply it to him or did he supply it to you
6 7	people-related issues during an acquisition  There were a number of things I don't recall		
	• •	6	you supply it to him or did he supply it to you
7	There were a number of things I don't recall	6 7	you supply it to him or did he supply it to you or was it a collaborative process?
7 8	There were a number of things. I don't recall them, as I sit here today, that related to	6 7 8	you supply it to him or did he supply it to you or was it a collaborative process?  A. I don't know if it was certainly
7 8 9	There were a number of things. I don't recall them, as I sit here today, that related to that, but that there was, at least for Graduate	6 7 8 9	you supply it to him or did he supply it to you or was it a collaborative process?  A. I don't know if it was certainly collaborative, our discussion. I believe he
7 8 9 10	There were a number of things. I don't recall them, as I sit here today, that related to that, but that there was, at least for Graduate at the time, a need for such reserves.  13:26:41	6 7 8 9 10	you supply it to him or did he supply it to you or was it a collaborative process?  A. I don't know if — it was certainly collaborative, our discussion. I believe he suggested that it could be as much as 25  13:29:22
7 8 9 10	There were a number of things. I don't recall them, as I sit here today, that related to that, but that there was, at least for Graduate at the time, a need for such reserves 13:26:41  Q He told you that sometime in the	6 7 8 9 10	you supply it to him or did he supply it to you or was it a collaborative process?  A. I don't know if — it was certainly collaborative, our discussion. I believe he suggested that it could be as much as 25  million.
7 8 9 10 11	There were a number of things. I don't recall them, as I sit here today, that related to that, but that there was, at least for Graduate at the time, a need for such reserves.  Q. He told you that sometime in the spring of the year 1997, that they were	6 7 8 9 10 11 12	you supply it to him or did he supply it to you or was it a collaborative process?  A. I don't know if it was certainly collaborative, our discussion. I believe he suggested that it could be as much as 25 13:29:22 million.  Q. Did you bring documents to him to
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7 8 9 10 11 12 13	There were a number of things I don't recall them, as I sit here today, that related to that, but that there was, at least for Graduate at the time, a need for such reserves 13:26:41  Q He told you that sometime in the spring of the year 1997, that they were contemplating establishing reserves for those purposes at Graduate?	6 7 8 9 10 11 12 13 14	you supply it to him or did he supply it to you or was it a collaborative process?  A. I don't know if it was certainly collaborative, our discussion. I believe he suggested that it could be as much as 25 13:29:22 million.  Q. Did you bring documents to him to talk about the topic of the amount of this 25 million dollar sum, or this corporate
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7 8 9 10 11 12 13 14 15 16 17	There were a number of things I don't recall them, as I sit here today, that related to that, but that there was, at least for Graduate at the time, a need for such reserves 13:26:41  Q He told you that sometime in the spring of the year 1997, that they were contemplating establishing reserves for those purposes at Graduate?  A Yes 13:26:56  Q What does the entry immediately below the entry 61,311,000 on page 25987 read?	6 7 8 9 10 11 12 13 14 15 16 17	you supply it to him or did he supply it to you or was it a collaborative process?  A. I don't know if it was certainly collaborative, our discussion. I believe he suggested that it could be as much as 25 13:29:22 million.  Q. Did you bring documents to him to talk about the topic of the amount of this 25 million dollar sum, or this corporate compliance reserve, rather?  A. Not in that particular discussion.  Q. Did you look at documents in
7 8 9 10 11 12 13 14 15 16 17 18	There were a number of things. I don't recall them, as I sit here today, that related to that, but that there was, at least for Graduate at the time, a need for such reserves. 13:26:41  Q He told you that sometime in the spring of the year 1997, that they were contemplating establishing reserves for those purposes at Graduate?  A Yes 13:26:56  Q What does the entry immediately below the entry 61,311,000 on page 25987 read?  A The 25 million in brackets?  Q Yes	6 7 8 9 10 11 12 13 14 15 16 17 18	you supply it to him or did he supply it to you or was it a collaborative process?  A. I don't know if it was certainly collaborative, our discussion. I believe he suggested that it could be as much as 25 13:29:22 million.  Q. Did you bring documents to him to talk about the topic of the amount of this 25 million dollar sum, or this corporate compliance reserve, rather? 13:29:33  A. Not in that particular discussion.  Q. Did you look at documents in connection with your discussions with him regarding how much the corporate clients'
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7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	There were a number of things I don't recall them, as I sit here today, that related to that, but that there was, at least for Graduate at the time, a need for such reserves 13:26:41  Q He told you that sometime in the spring of the year 1997, that they were contemplating establishing reserves for those purposes at Graduate?  A Yes. 13:26:56  Q What does the entry immediately below the entry 61,311,000 on page 25987 read?  A The 25 million in brackets?  Q Yes  Can you read the text next to that 13:27:19 as well?	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	you supply it to him or did he supply it to you or was it a collaborative process?  A. I don't know if it was certainly collaborative, our discussion. I believe he suggested that it could be as much as 25 13:29:22 million.  Q. Did you bring documents to him to talk about the topic of the amount of this 25 million dollar sum, or this corporate compliance reserve, rather? 13:29:33  A. Not in that particular discussion.  Q. Did you look at documents in connection with your discussions with him regarding how much the corporate clients' compliance reserve might or should be? 13:29:44
7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	There were a number of things. I don't recall them, as I sit here today, that related to that, but that there was, at least for Graduate at the time, a need for such reserves. 13:26:41  Q. He told you that sometime in the spring of the year 1997, that they were contemplating establishing reserves for those purposes at Graduate?  A. Yes. 13:26:56  Q. What does the entry immediately below the entry 61,311,000 on page 25987 read?  A. The 25 million in brackets?  Q. Yes  Can you read the text next to that 13:27:19 as well?  A. "Established for corporate	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	you supply it to him or did he supply it to you or was it a collaborative process?  A. I don't know if it was certainly collaborative, our discussion. I believe he suggested that it could be as much as 25 13:29:22 million.  Q. Did you bring documents to him to talk about the topic of the amount of this 25 million dollar sum, or this corporate compliance reserve, rather? 13:29:33  A. Not in that particular discussion.  Q. Did you look at documents in connection with your discussions with him regarding how much the corporate clients' compliance reserve might or should be? 13:29:44  A. Yes.  Q. What documents did you look at?
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7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	There were a number of things. I don't recall them, as I sit here today, that related to that, but that there was, at least for Graduate at the time, a need for such reserves. 13:26:41  Q. He told you that sometime in the spring of the year 1997, that they were contemplating establishing reserves for those purposes at Graduate?  A. Yes. 13:26:56  Q. What does the entry immediately below the entry 61,311,000 on page 25987 read?  A. The 25 million in brackets?  Q. Yes  Can you read the text next to that 13:27:19 as well?  A. "Established for corporate	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	you supply it to him or did he supply it to you or was it a collaborative process?  A. I don't know if it was certainly collaborative, our discussion. I believe he suggested that it could be as much as 25 13:29:22 million.  Q. Did you bring documents to him to talk about the topic of the amount of this 25 million dollar sum, or this corporate compliance reserve, rather? 13:29:33  A. Not in that particular discussion.  Q. Did you look at documents in connection with your discussions with him regarding how much the corporate clients' compliance reserve might or should be? 13:29:44  A. Yes.  Q. What documents did you look at?

<u> </u>	D-10. 696		700
1	Page 686 investigations that were taking place at that	1	Page 688 in 1997 that the general published reports
2	time.	2	about corporate compliance would cause a
3	Q. Do you remember any documents in	3	variance in the need for a corporate compliance
4	particular on that latter point, government	4	reserve at these two different sets of
5	investigations, that you looked at? 13:30:12	5	hospitals? 13:32:22
6	A. Just it was more of what had	6	MR. RYAN: Objection. Asked and
7	been published, I believe, in newspapers and	7	answered.
8	what we were aware of happening in the	8	A. I certainly had an understanding
9	marketplace	9	that there could be differences between the two
10	Q It was strike that 13:30:21	10	organizations knowing that hospitals a part of 13:32:32
11	When you wrote the acquired	11	
12	entities, did you mean to include entities	12	AHERF were existing within AHERF and they had
13	other than the Graduate hospitals?	13	an internal audit function in place.
14	A. No. Well, no, I don't recall I	14	Q. Let me ask you to look at the next
15	don't recall, I guess, as it related to the 13:30:38	15	line item, the 14.1 million dollars that you
16	western region because the assessment here is	16	have there in brackets for PFMA. Do you see 13:32:49 that?
17	<del>-</del>	17	A. Yes.
18	being made at the 61 million dollar level, so I just don't recall.	18	A. Yes.  Q. You've got a see tick mark M.
19	Q. Do you remember anything more you	19	
20	did to substantiate the need for the 25 million 13:30:53	20	Could you take me in the analysis
21	dollar reserve?	21	where I'm supposed to go with that? Is that up 13:33:00 at the top half of the page?
22	MR. RYAN: Objection	22	A. No, I believe that's referring to
23	A I don't recall anything further	23	the handwritten notes on
24	than those discussions, recognizing that	24	Q. Page 91?
25	ongoing assessments would be made in the future 13:31:07	25	A Yes 13:33:15
	ongoing assessments would be made in the facility 15.51.07		A 165 15.35.15
	Page 687		Page 689
1	Page 687 year under purchase accounting.	1	Page 689 Q. That reads that the 14.1 million
1 2	year under purchase accounting  Q Did you ever do anything to	1 2	
i	year under purchase accounting	Į .	Q That reads that the 14.1 million
2	year under purchase accounting  Q Did you ever do anything to	2	Q That reads that the 14.1 million dollar PFMA entry in your schedule represents,
2 3	year under purchase accounting  Q Did you ever do anything to determine whether or not the Delaware Valley	2	Q That reads that the 14.1 million dollar PFMA entry in your schedule represents, I'm quoting now, "Represents lost reserves
2 3 4	year under purchase accounting Q Did you ever do anything to determine whether or not the Delaware Valley Obligated Group had hospitals — pardon me Did you do anything to determine 13:31:18 whether the Delaware Valley Obligated Group	2 3 4	Q That reads that the 14.1 million dollar PFMA entry in your schedule represents, I'm quoting now, "Represents lost reserves under the police and fire contract to fund
2 3 4 5	year under purchase accounting Q Did you ever do anything to determine whether or not the Delaware Valley Obligated Group had hospitals — pardon me Did you do anything to determine 13:31:18 whether the Delaware Valley Obligated Group hospitals had a reserve for the same kinds of	2 3 4 5	Q That reads that the 14.1 million dollar PFMA entry in your schedule represents, I'm quoting now, "Represents lost reserves under the police and fire contract to fund losses 13:33:33 "AHERF has subsequently concluded that the reserve is not necessary and the
2 3 4 5 6	year under purchase accounting Q. Did you ever do anything to determine whether or not the Delaware Valley Obligated Group had hospitals pardon me Did you do anything to determine 13:31:18 whether the Delaware Valley Obligated Group hospitals had a reserve for the same kinds of matters in 1997, corporate compliance issues?	2 3 4 5 6	Q That reads that the 14.1 million dollar PFMA entry in your schedule represents, I'm quoting now, "Represents lost reserves under the police and fire contract to fund losses 13:33:33 "AHERF has subsequently concluded
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2 3 4 5 6 7 8 9	year under purchase accounting Q. Did you ever do anything to determine whether or not the Delaware Valley Obligated Group had hospitals — pardon me Did you do anything to determine 13:31:18 whether the Delaware Valley Obligated Group hospitals had a reserve for the same kinds of matters in 1997, corporate compliance issues? A. As I recall, there were separate procedures that were done in evaluating the 13:31:35 control environment and work that internal	2 3 4 5 6 7 8 9	Q That reads that the 14.1 million dollar PFMA entry in your schedule represents, I'm quoting now, "Represents lost reserves under the police and fire contract to fund losses 13:33:33  "AHERF has subsequently concluded that the reserve is not necessary and the Graduate would not be obligated to fund "C&L does not concur with the
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2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	year under purchase accounting Q Did you ever do anything to determine whether or not the Delaware Valley Obligated Group had hospitals — pardon me Did you do anything to determine 13:31:18 whether the Delaware Valley Obligated Group hospitals had a reserve for the same kinds of matters in 1997, corporate compliance issues? A As I recall, there were separate procedures that were done in evaluating the 13:31:35 control environment and work that internal audit was doing over the compliance area. I don't recall if there were any specific reserves or not identified, but I do remember generally the control process 13:31:51 Q The Delaware Valley Obligated Group hospitals are in greater Philadelphia, and you knew that in 1997, is that right? A. Yes. Q The Graduate hospitals were in 13:32:03 greater Philadelphia, if you include Rancocas, New Jersey; and you knew that in 1997, is that right?	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	Q That reads that — the 14.1 million dollar PFMA entry in your schedule represents, I'm quoting now, "Represents lost reserves under the police and fire contract to fund losses. 13:33:33  "AHERF has subsequently concluded that the reserve is not necessary and the Graduate would not be obligated to fund.  "C&L does not concur with the client's conclusion and believes a potential 13:33:44 liability still exists.  "AHERF has removed the cushion from Graduate and transfers the cushion to other contingent liabilities.  "C&L will evaluate the 13:33:58 appropriateness of the reserve. See reserve analysis."  Is that right?  A. That's what it states. But it's also obviously off to the left included in bad 13:34:08 debt next to that tick mark.  Q. I see that Do you know why today that C&L did

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	Page 742		Page 744
1	added this separate set of handwritten notes on	1	Q. Does it mean that it was for a
2	this reserve schedule for settled years, CRA	2	specific purpose?
3	accounts for settled years at AHERF?	3	A. No.
4	A. I don't recall.	4	<ul> <li>Q. Or specific account for a specific</li> </ul>
5	Q. Do you see you did that at least on 14:53:02	5	year? 14:55:32
6	the first page?	6	A. No. I mean, especially with
7	A. Yes.	7	tentative, the word - to me that was more of a
8	Q. You see Mr. Girol has put his	8	final - it represented something was -
9	initials next to the date 8-21-97. Am I right?	9	anything with the term settlement was at least
10	A. Yes. 14:53:14	10	an indication of it being a little more final. 14:55:47
11	Q. Your initials don't appear on the	11	I don't know what it meant in
12	document, do they?	12	relation to the word designated. So the fact
13	A. No.	13	that those words are altogether I can't just
14	Q. Is there a reason why when you	14	pick on designated.
15	added your information you didn't date it and 14:53:22	15	Q. You wrote the words that I just 14:55:58
16	initial it?	16	read, though, is that right?
17	A No. I mean, it was not uncommon.	17	A. Well, I
18	I was just kind of reviewing just by those	18	MR RYAN: To the extent you can
19	little squiggly lines, reviewing the	19	read them.
20	information he had and whether that was just 14:53:33	20	A Yeah, I'm just not sure about that 14:56:04
21	kind of normal practice for me.	21	one that has - or what - I really can't tell
22	MR RYAN: If we're going to get	22	over here
23	into any substantive questions about this page,	23	Q. I'm sorry, at least once you've
24	there are much more legible portions, I would	24	written the word designated the words
25	like another copy produced. 14:53:52	25	designated tentative settlement, am 1 right? 14:56:26
	Page 743		Pres 745
1	MR. JONES: I'll try not to have my	1	Page 745 A. It appears.
2	feelings hurt about whether my questions were	2	Q. Yes.
3	substantive to this point. We may ask a few	3	Does that indicate to you that the
4	more questions. I don't think the reading of	4	amounts in that category would not be cushion
5	the notes is going to be important to them. 14:53:57	5	or excess? 14:56:30
6	Q Do you see a couple different times	6	MR RYAN: Objection
7	you've written the words "designated or	7	A. I don't recall the papers or what
8	designated tentative settlement" on the	8	information I knew at the time to even infer
9	schedule?	9	what I meant at the time, so I don't even know
10	A If that's what that says 14:54:40	10	as I sit here today 14:56:46
11	Q. Let me represent to you that my	11	Q. You have no recollection of what
12	copy may be a little better, it does read to me	12	designated meant and whether or not it would
13	"designated tent settlement" like in the	13	mean to you the opposite of excess?
14	right-hand margin under MCPH; do you see that?	14	A Not without having more information
15	A. Yes. 14:54:54	15	and recreating kind of that historical 14:57:02
16	Q. Do you see it there twice, one time	16	information.
	tentative is spelled out, the other time it's	17	Q You see you've written designated
17		مه ا	again next to Elkins, M/C '96 designated,
18	just abbreviated tent?	18	- ,,
18 19	just abbreviated tent?  A. Yes, but I'm not sure about that	18 19	\$83,000 perhaps is the figure?
18 19 20	just abbreviated tent?  A. Yes, but I'm not sure about that one tentative. 14:55:08	I .	
18 19 20 21	just abbreviated tent?  A. Yes, but I'm not sure about that one tentative. 14:55:08  Q. That's all right. My question is	19	\$83,000 perhaps is the figure?
18 19 20 21 22	just abbreviated tent?  A. Yes, but I'm not sure about that one tentative. 14:55:08  Q. That's all right. My question is really this. What does the word designated	19 20	\$83,000 perhaps is the figure?  MR RYAN: Where is that?  14:57:16
18 19 20 21	just abbreviated tent?  A. Yes, but I'm not sure about that one tentative. 14:55:08  Q. That's all right. My question is really this. What does the word designated mean to you in connection with CRA's in	19 20 21	\$83,000 perhaps is the figure?  MR. RYAN: Where is that?  MR. JONES: Middle of the page
18 19 20 21 22 23 24	just abbreviated tent?  A. Yes, but I'm not sure about that one tentative. 14:55:08  Q. That's all right. My question is really this. What does the word designated	19 20 21 22	\$83,000 perhaps is the figure?  MR. RYAN: Where is that?  MR. JONES: Middle of the page  MR. RYAN: I don't even see it.  A. I mean, I see where there might be
18 19 20 21 22 23	just abbreviated tent?  A. Yes, but I'm not sure about that one tentative. 14:55:08  Q. That's all right. My question is really this. What does the word designated mean to you in connection with CRA's in	19 20 21 22 23	\$83,000 perhaps is the figure?  MR. RYAN: Where is that?  MR. JONES: Middle of the page  MR. RYAN: I don't even see it.  A. I mean, I see where there might be

	1 Idziei		
	Page 746		Page 748
1	Q. I will represent to you that that's	1	I would ask you to look at the
2	what it says	2	second page. It says at the top, "CRA
3	Do you recall ever learning or ever	3	questions," does it not?
4	being interested in a designated settlement for	4	A. That's what it says.
5	CRA's at Elkins that did not have the word 14:57:40	5	Q. Then it says reserve 15:00:57
6	tentative for Medicare 1996?	6	"reservers," and perhaps that's a typo, "per
7	MR RYAN: Objection.	7	Joe." Do you see that?
8	A. Again, I don't recall - I need	8	A Yes.
9	more information	9	· · · - · - · -
10	Q. You can put that aside. 14:58:11	-	Q. Do you know who Joe is?
1	Q. 100 can put min aside. 14.30.11	10	MR RYAN: Objection. 15:01:13
11		11	A. I don't know. I don't
12	(Thereupon, Deposition Exhibit 4445	12	Q. Have you ever seen this document
13	was marked for purposes of	13	before?
14	identification.)	14	A. I don't recall seeing it.
15	14:58:25	15	Q You can put that one aside 15:01:50
16	Q I'm handing you Exhibit 4445 Can	16	Look back to Exhibit 1070 for a
17	you identify this document for me?	17	moment for me, which is an exhibit that
18	A. I don't recall it, in the context	18	included Mr. Buettner's two-page schedule that
19	of the 1997 audit.	19	we were discussing a moment ago.
20	Q. It has been identified to us by 14:58:44	20	A. Yes. 15:02:25
21	your counsel as coming from your computer	21	Q. Do you see the line item for excess
22	files. Do you believe that you prepared it?	22	C slash A? Do you have any understanding of
23	A. I don't recall it, but if it came	23	what excess C slash A means?
24	from my PC, it's possible.	24	MR. RYAN: On 877?
25	Q You see it's called a reserve 14:58:57	25	MR. JONES: Yes, 877. 15:02:43
			744. 7014EG. 163, 677. 15.0E.45
	Page 747		Page 749
1	analysis?	1	A. I obviously didn't write it.
2	A Yes	2	Q. Do you know what C slash A is short
3	Q. Then it lists at least under one	3	for either in Mr. Buettner's parlance or yours?
4	subheading CRA CRA's undesignated in various	4	A. From my perspective, C slash A in
5	amounts at various hospitals? 14:59:09		
	amounts at various nospitais: 14,35,05	5	the context of a healthcare audit was 15:03:00
6	A. Yes.	5 6	the context of a healthcare audit was 15:03:00 contractual allowance.
6 7	A. Yes.		contractual allowance.
7	A Yes. Q Do you know when you prepared this?	6 7	contractual allowance.  Q. Did you ever come to the conclusion
7 8	<ul><li>A. Yes.</li><li>Q. Do you know when you prepared this?</li><li>First of all, do you know if you</li></ul>	6 7 8	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there
7 8 9	A. Yes.  Q. Do you know when you prepared this?  First of all, do you know if you prepared this and then do you know when?	6 7 8 9	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the
7 8 9 10	A Yes. Q Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when? A. As I said, I don't recall it and so 14:59:22	6 7 8 9 10	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  15:03:16
7 8 9 10 11	A. Yes. Q. Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when? A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it.	6 7 8 9 10	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.
7 8 9 10 11 12	<ul> <li>A. Yes.</li> <li>Q. Do you know when you prepared this? First of all, do you know if you</li> <li>prepared this and then do you know when? A. As I said, I don't recall it and so 14:59:22</li> <li>I don't recall when I prepared it.</li> <li>Q. Do you have any doubt if it came</li> </ul>	6 7 8 9 10 11 12	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?
7 8 9 10 11 12 13	A. Yes.  Q. Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when?  A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it.  Q. Do you have any doubt if it came from your computer files that you prepared it?	6 7 8 9 10 11 12 13	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?  A. I'm sorry, can you repeat that?
7 8 9 10 11 12 13 14	A. Yes.  Q. Do you know when you prepared this?  First of all, do you know if you prepared this and then do you know when?  A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it.  Q. Do you have any doubt if it came from your computer files that you prepared it?  A. If it was saved on my hard drive.	6 7 8 9 10 11 12 13	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?  A. I'm sorry, can you repeat that?  Q. Yes.
7 8 9 10 11 12 13 14 15	A. Yes. Q. Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when? A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it. Q. Do you have any doubt if it came from your computer files that you prepared it? A. If it was saved on my hard drive. Obviously someone else can prepare it and I can 14:59:40	6 7 8 9 10 11 12 13 14 15	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?  A. I'm sorry, can you repeat that?  Q. Yes.  Did you ever yourself come to the 15:03:26
7 8 9 10 11 12 13 14 15 16	A Yes. Q Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when? A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it. Q. Do you have any doubt if it came from your computer files that you prepared it? A. If it was saved on my hard drive Obviously someone else can prepare it and I can 14:59:40 download it, but I just don't know. I don't	6 7 8 9 10 11 12 13 14 15 16	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?  A. I'm sorry, can you repeat that?  Q. Yes.  Did you ever yourself come to the 15:03:26 conclusion that there were 9.8 million dollars
7 8 9 10 11 12 13 14 15 16	A. Yes.  Q. Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when? A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it. Q. Do you have any doubt if it came from your computer files that you prepared it? A. If it was saved on my hard drive. Obviously someone else can prepare it and I can 14:59:40 download it, but I just don't know. I don't recall it.	6 7 8 9 10 11 12 13 14 15 16	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?  A. I'm sorry, can you repeat that?  Q. Yes.  Did you ever yourself come to the 15:03:26 conclusion that there were 9.8 million dollars of excess contractual allowance reserves at old
7 8 9 10 11 12 13 14 15 16	A. Yes.  Q. Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when?  A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it.  Q. Do you have any doubt if it came from your computer files that you prepared it?  A. If it was saved on my hard drive. Obviously someone else can prepare it and I can 14:59:40 download it, but I just don't know. I don't recall it.  Q. Let me hand you really quickly what	6 7 8 9 10 11 12 13 14 15 16 17 18	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?  A. I'm sorry, can you repeat that?  Q. Yes.  Did you ever yourself come to the 15:03:26 conclusion that there were 9.8 million dollars of excess contractual allowance reserves at old AHERF as you've defined it this afternoon —
7 8 9 10 11 12 13 14 15 16	A. Yes.  Q. Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when? A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it. Q. Do you have any doubt if it came from your computer files that you prepared it? A. If it was saved on my hard drive. Obviously someone else can prepare it and I can 14:59:40 download it, but I just don't know. I don't recall it.	6 7 8 9 10 11 12 13 14 15 16	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?  A. I'm sorry, can you repeat that?  Q. Yes.  Did you ever yourself come to the 15:03:26 conclusion that there were 9.8 million dollars of excess contractual allowance reserves at old
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7 8 9 10 11 12 13 14 15 16 17 18 19 20	A. Yes. Q. Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when? A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it. Q. Do you have any doubt if it came from your computer files that you prepared it? A. If it was saved on my hard drive. Obviously someone else can prepare it and I can 14:59:40 download it, but I just don't know. I don't recall it. Q. Let me hand you really quickly what we've marked as Exhibit 4122 called CRA Review Comments. It's a work paper apparently 15:00:18 prepared at least in connection with the '97	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?  A. I'm sorry, can you repeat that?  Q. Yes.  Did you ever yourself come to the 15:03:26 conclusion that there were 9.8 million dollars of excess contractual allowance reserves at old AHERF as you've defined it this afternoon —  MR. RYAN: Objection.  Q for fiscal year '97?  15:03:41  A. I recall having knowledge that
7 8 9 10 11 12 13 14 15 16 17 18 19 20 21	A. Yes.  Q. Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when? A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it. Q. Do you have any doubt if it came from your computer files that you prepared it? A. If it was saved on my hard drive Obviously someone else can prepare it and I can 14:59:40 download it, but I just don't know. I don't recall it. Q. Let me hand you really quickly what we've marked as Exhibit 4122 called CRA Review Comments. It's a work paper apparently 15:00:18 prepared at least in connection with the '97 audit, although it appears to have come from	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?  A. I'm sorry, can you repeat that?  Q. Yes.  Did you ever yourself come to the 15:03:26 conclusion that there were 9.8 million dollars of excess contractual allowance reserves at old AHERF as you've defined it this afternoon —  MR. RYAN: Objection.  Q. — for fiscal year '97? 15:03:41  A. I recall having knowledge that there were excess contractual allowances. I
7 8 9 9 100 111 122 133 144 155 166 177 188 199 200 211 222 233	A. Yes.  Q. Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when?  A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it. Q. Do you have any doubt if it came from your computer files that you prepared it? A. If it was saved on my hard drive. Obviously someone else can prepare it and I can 14:59:40 download it, but I just don't know. I don't recall it. Q. Let me hand you really quickly what we've marked as Exhibit 4122 called CRA Review Comments. It's a work paper apparently 15:00:18 prepared at least in connection with the '97 audit, although it appears to have come from its labeling at the lower right-hand corner	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?  A. I'm sorry, can you repeat that?  Q. Yes.  Did you ever yourself come to the 15:03:26 conclusion that there were 9.8 million dollars of excess contractual allowance reserves at old AHERF as you've defined it this afternoon —  MR. RYAN: Objection.  Q. — for fiscal year '97? 15:03:41  A. I recall having knowledge that there were excess contractual allowances. I don't recall the exact amount, but I remember
7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	A. Yes.  Q. Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when?  A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it. Q. Do you have any doubt if it came from your computer files that you prepared it? A. If it was saved on my hard drive. Obviously someone else can prepare it and I can 14:59:40 download it, but I just don't know. I don't recall it. Q. Let me hand you really quickly what we've marked as Exhibit 4122 called CRA Review Comments. It's a work paper apparently 15:00:18 prepared at least in connection with the '97 audit, although it appears to have come from its labeling at the lower right-hand corner from an early and not, therefore, final version	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF? 15:03:16  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?  A. I'm sorry, can you repeat that?  Q. Yes.  Did you ever yourself come to the 15:03:26 conclusion that there were 9.8 million dollars of excess contractual allowance reserves at old AHERF as you've defined it this afternoon—  MR. RYAN: Objection.  Q for fiscal year '97? 15:03:41  A. I recall having knowledge that there were excess contractual allowances. I don't recall the exact amount, but I remember them being in the neighborhood of 10 million
7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	A. Yes.  Q. Do you know when you prepared this? First of all, do you know if you prepared this and then do you know when?  A. As I said, I don't recall it and so 14:59:22 I don't recall when I prepared it. Q. Do you have any doubt if it came from your computer files that you prepared it? A. If it was saved on my hard drive. Obviously someone else can prepare it and I can 14:59:40 download it, but I just don't know. I don't recall it. Q. Let me hand you really quickly what we've marked as Exhibit 4122 called CRA Review Comments. It's a work paper apparently 15:00:18 prepared at least in connection with the '97 audit, although it appears to have come from its labeling at the lower right-hand corner	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23	contractual allowance.  Q. Did you ever come to the conclusion in your fiscal year '97 audit work that there were excess contractual allowances in the amount of 9.8 million dollars at AHERF?  MR. RYAN: Objection.  Q. Or at old AHERF, for that matter?  A. I'm sorry, can you repeat that?  Q. Yes.  Did you ever yourself come to the 15:03:26 conclusion that there were 9.8 million dollars of excess contractual allowance reserves at old AHERF as you've defined it this afternoon —  MR. RYAN: Objection.  Q. — for fiscal year '97? 15:03:41  A. I recall having knowledge that there were excess contractual allowances. I don't recall the exact amount, but I remember

Page 752  Q. Did you come to that conclusion that was shared with you by Mr. Buettner or someone else?  A I recall knowing that myself as 15:04:04 papers  Q. Do you think you shared that number with Mr. Buettner?  A Yes. 15:04:14				
Q. Did you come to that conclusion yourself, or was that a conclusion that was shared with you by Mr. Buettner or someone else?  A I recall knowing that myself as Q. Do you think you shared that number with Mr. Buettner?  A Yes Q. The round 10 million dollar number?  A Yes, 1 recall sharing it with him. Q. The round 10 million dollar number?  With Mr. Buettner?  A Yes, 1 recall sharing it with him. Q. When you shared it with him, what did you say was the basis for your review?  A Yes, 1 recall sharing it with him. Q. The round 10 million dollar number?  Myen you shared it with him, what did you say was the basis for your review?  A Yes, 1 recall sharing it with him. Q. The round 10 million dollar number?  A Yes, 1 recall sharing it with him. Q. The round 10 million dollar number?  A Yes, 1 recall sharing it with him. Q. The round 10 million dollar number?  A Yes, 1 recall sharing it with him. Q. The round 10 million dollar number?  A Yes, 1 recall sharing it with him. Q. The round 10 million dollar number?  A Yes, 1 recall sharing it with him. Q. The round 10 million dollar number?  A Yes, 1 recall sharing it with him. Q. The round 10 million dollar number?  A Yes, 1 recall sharing it with him. Q. The round 10 million dollar number?  A Yes, 1 recall sharing it with him. Q. The round 10 million dollar number?  A Yes, 1 recall advising him that when 1 15:04:26  Men you shared it with him, what did you say was the basis for your review?  The round of the was reviewing the detailed work papers, there were differences between what was recorded on the their calculations versus what was recorded on the their calculations versus what was recorded on the their calculations versus what was recorded on the the actual trial balances and summing them up across the entities. 15:04:40  Q. Did you give him a piece of paper to with him orully?  Page 751  A I rath the wrote did down on?  A I don't recall seeing it one to reflect that work to rid you just share it with him orully?  A I don't recall seeing to rice.  Page 751  A Th		Page 750		Page 752
2 yourself, or was that a conclusion that was shared with you by Mr. Buettner or someone cles?  A 1 recall knowing that myself as 15:04:04 5  A 1 recall knowing that myself as 15:04:04 5  A 2 recall knowing that myself as 15:04:04 5  A 1 recall knowing that myself as 15:04:04 5  A 2	1		1	
3 shared with you by Mr. Buettner or someone 4 clse? 5 A 1 recall knowing that myself as 15-04-04 6 part of my review of the receivable work 7 papers. 8 Q. Do you think you shared that number 9 with Mr. Buettner? 10 A. Yes. 11 Q. The round 10 million oldin number? 12 A. Yes, 1 recall sharing it with him. 13 Q. When you shared it with him, what 14 did you say was the basis for your review? 15 A. I recall advising him that when 1 15-04-26 16 was reviewing the detailed work papers, there 18 were differences between what was needed in 18 their calculations versus what was recorded on 19 the actual trial balances and summing them up 20 across the entities. 15-04-40 21 Q. That was work you had performed? 24 A. Yes. 23 Q. Did you give him a piece of paper 24 to reflect that work or did you just share it 25 with him orally?  1 A I remember a piece of paper that 1 2 bad captured it on. I don't remember him at 2 bad captured it on. I don't remember him at 2 because I knew it, but — and I remember him at 2 because I knew it, but — and I remember him at 3 showed him the paper or that I just told him 4 because I knew it, but — and I remember him at 5 showed him the paper or that I just told him 5 because I knew it, but — and I remember him at 6 since your audit work in '97? 8 A. That he wrote it down on? 9 Q. No, that you wrote it down on A. I don't recall seeing it since 15-05-09 11 then 12 Q. Do you recall making it a part of 15 the work papers for the '97 addit? A I don't recall if it was in my 15 notes and in preparing for today, you 20 haven't seen that document? 15-05-103 21 A. Not based on the things that I've 22 Establish 4322 23 Papers from the '97 work that I've 24 A. Yes 25 The pages I would like to discuss 26 with you, Miss Frazier, are at 10482 and 27 following 10482. They start with a face page 28 that indicates to me that his is a set of work is 15-07-20 29 (20 July you down that just told him 29 (20 July you down that page of the start just told him 29 (20 July you down that just told him 29 (20 July you dow	2		2	just I don't recall seeing it or whether or not
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	Page 754			Page 756
	Соггест	I	record, 3:27.	
-	Do you recall reviewing these	2	Q. Miss Frazier, I'm asking you now,	
	al allowance work papers in connection	3	I've asked you just at the break to get ready	
4 with your	work in the '97 or for the '97 audit?	4	to talk with us again, at least briefly, about	
5 M	R RYAN: The ones that start at 15:09:05	5	Exhibit 4332, and, in particular, the 15:	27:45
6 483?		6	contractual allowance schedules, or the reserve	
7 M	R. JONES: Yes, or at least the	7	for contractual allowance schedules which start	
8 schedules	that follow there.	8	at page 488.	
9 A. I	don't recall these schedules	9	Are you with me?	
10 specifical	ly. I recall at various points 15:09:13	10	A. Yes. 15:28:04	
11 having pr	inted copies of contractual allowance	11	Q. The schedule there relates to the	
12 information	оп, but I don't recall these	12	Bucks County Hospital?	
13 specifical	lly.	13	A. That's what it says, yes.	
14 Q. Y	You don't recall reviewing them	14	Q. It is towards the bottom of the	
15 on-line ei	ther because don't I see your name 15:09:25	15	page we have what is called the reserve for	15:28:11
16 popping u	up on the reviewed portion of the CLASS	16	allowance balances, inpatient. Is that right?	
17 prints, is t	that fair to say?	17	A. One side is inputient; one side is	
18 M	IR. RYAN: Objection	18	outpatient it looks like	
19 A. I	mean, I don't know. Just because	19	Q. Let's focus on the inpatient side	
20 my name'	's not in the field doesn't mean I 15:09:43	20	for now. 15:28:24	
21 couldn't h	have opened up the file and looked at	21	A. Okay.	
22 it.		22	Q In connection with your audit work	
23 Q. I	Do you recall that you looked at	23	in fiscal year 1997, did you have any reason to	
24 hard copi	es as you suggested or electronic	24	believe that the balances in the column beneath	
25 screens?	15:09:54	25	the header we just read, the 6-30-97 column,	15:28:36
THE RESERVE OF THE PART OF THE	Page 755			Page 757
	recall both, generally I mean,	1	were in any way excess?	
	ted copies of things that weren't	2	A. I don't recall the detail of the	
· · · · · · · · · · · · · · · · · · ·	ad and looking at things on the	3	schedule from 1997	
	nere I needed to	4	Q. As you sit here today, you don't	
	Vere these the kinds of schedules 15:10:05	5	know whether those balances were excess, is	15:28:55
-	vould have referred to or were these	6	that fair to say?	
	edules that you referred to in coming	7	<ul> <li>A. I don't recall without looking at</li> </ul>	
	n impression that roughly 10 million	8	more detail.	
	isted in excess — as excess	9	Q. What else would you want to look	
	al allowances at AHERF in your 15:10:20	10	at? 15:29:06	
	ions with Mr. Buettner that led to,	11	<ul> <li>A. I would need to understand what the</li> </ul>	
=	ve, or perhaps ended up in his	12	words say because I can't really read them.	
	schedule as a part of Exhibit 1070?	-13	And I'd just have to look through other work	
	R RYAN: Objection	14	papers that related to the area.	
	don't recall what schedules I had 15:10:38	15	Q. Do you know whether any specific	15:29:22
	that number from I just recall them	16	balance listed there, where there is a balance,	
_	o contractual allowances	17	is excess?	
18 M	R JONES: Why don't we break here	18	Do you have any recollection of any	
19 and, if we	e do a quick one, I think we may	19	specific balance that is listed as excess or	
20 actually b	be on schedule 15:10:52	20	has an excess component to it? 15:2	9:34
	R. RYAN: Super.	21	MR RYAN: I'll object because the	
-	<u>-</u>	22	witness can't read what the words say, I'm not	
21 M	HE VIDEOGRAPHER: Off the record,			
21 M	HE VIDEOGRAPHER: Off the record,	23		
21 M 22 TH	HE VIDEOGRAPHER: Off the record,  (Recess had.)	23 24	sure she can give you a different answer to	
21 M 22 TH 23 3:11. 24		Į.	sure she can give you a different answer to your question.	:29:44

55 (Pages 754 to 757)